

NAVAL POSTGRADUATE SCHOOL MONTEREY, CALIFORNIA



THESIS

ASSESSMENT OF DEPARTMENT OF DEFENSE REINVENTION LABORATORIES

by

James L. Gosnell

June 1997

Principal Advisor:

L. R. Jones

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**ASSESSMENT OF DEPARTMENT OF DEFENSE
REINVENTION LABORATORIES**

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Submitted in partial fulfillment
of the requirements for the degree of


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from the

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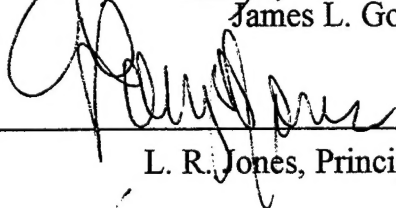
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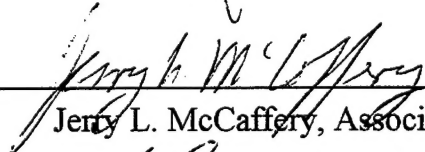


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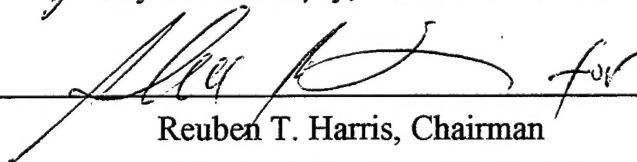
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ABSTRACT

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I. INTRODUCTION

A. PURPOSE

The purpose of this thesis is to examine the accomplishments of Department of Defense (DOD) Reinvention Laboratories and the impediments the laboratories have faced in attempting to improve DOD business practices. A Reinvention Laboratory is a special designation given to organizations that have been selected to implement entrepreneurial government through restructuring, reengineering, reinventing, realigning, and rethinking, to become more efficient and effective. (Jones and Thompson, 1996, p. 1) Reinvention Laboratories are organizations that are granted waivers of rules and regulations to implement innovative ideas to improve processes and systems to enhance performance and reduce costs. This thesis evaluates the experience of the laboratories to date and identifies successful and unsuccessful initiatives. The research identifies changes in rules and processes which might enable laboratories to overcome barriers to progress.

The primary research question is: To what extent have DOD sponsored Reinvention Laboratories been successful in increasing their efficiency and effectiveness?

The secondary research questions are:

1. How should the progress of Reinvention Laboratories be assessed?
2. What has been accomplished thus far?
3. What financial savings have been achieved?
4. What has been tried and failed?
5. What are the barriers to reinvention encountered by the Laboratories?

This thesis will assess the performance to date of DOD Reinvention Laboratories. Reasons for success and failure will be cataloged and analyzed. The thesis will assess the extent to which significant changes in rules and procedures that have enabled success can be applied to other organizations to improve their performance through such concepts as benchmarking and best practices. Practices which seem to have resulted in failure will be evaluated and discussed. Recommendations will be made on how best to overcome obstacles to reinvention.

B. BACKGROUND

To evaluate the performance of DOD Reinvention Laboratories, it is first necessary to develop an accurate understanding of the current state of the reinventing government process. President Clinton commissioned the National Performance Review (NPR) on March 3, 1993:

Our goal is to make the entire federal government both less expensive and more efficient, and to change the culture of our national bureaucracy away from complacency and entitlement toward initiative and empowerment. We intend to redesign, to reinvent, to reinvigorate the entire national government. (Gore, 1993, p. 1)

Vice President Gore has headed this four year review of the federal government with the twin missions of making government work better and cost less. He published the first Report of the NPR in September 1993 and identified four key tasks necessary to, "prove to the American people that their tax dollars will be treated with respect for the hard work that earned them."

1. Cutting Red Tape.
2. Putting Customers First.
3. Empowering Employees to Get Results.

4. Cutting Back to Basics: Producing Better Government for Less. (Gore, 1993, pp. I-7)

The NPR office has published three yearly updates. Each of these reports has described the progress to date in each of the four key areas.

DOD has accomplished major changes in response to the NPR and on its own initiative across programs, functional areas, and organizational units. Innovations in procurement, financial management, personnel, privatization and logistics have been implemented. As of April 22, 1997, DOD has earned 146 of the Hammer Awards created by the NPR to recognize organizations that have made exemplary improvements. (NPR Home Page, 1997) The "\$6.00 hammer with a little red, white, and blue ribbon is the Vice President's symbolic answer to the \$400.00 hammer of yesterday's government" procurement system. (Gore, 1996, p. 223) DOD has received 10 Presidential Quality Awards and Quality Improvement Prototype Awards since 1993. (DOD, 1996, p. iii) In 1996, DOD was awarded the only Presidential Quality Award in the Federal government for the Army Armament Research, Development and Engineering Center in Picatinny Arsenal, New Jersey. (DOD, 1996, p. iii) The center designed a lethal tank-fired munition and reduced training costs, energy expenditures, hazardous waste storage and overhead costs. DOD won seven of nine Quality Improvement Prototype Awards in 1996. (DOD, 1996, p. iv)

Winners included the Defense Mapping Agency for reducing management layers from 11 to 3; the Naval Station Mayport for reduction of initial check in stops from 24 to 8; and the Army's Communications Electronics Command Logistics and Readiness Center for reducing acquisition lead times by 25% and back orders by almost 50%. These are a few examples that demonstrate DOD commitment to the goals of NPR through specific management improvements and continuous process improvements.

Reinvention Laboratories are a special subset of NPR activities. The focus of these Reinvention Laboratories is to improve performance and reduce the cost of government services by accelerating change in their respective organizations. There are more than 90 active Reinvention Laboratories throughout DOD that seek more effective and efficient ways to accomplish their business and serve their customers. A list of DOD Reinvention Laboratories is provided in Appendix A. This effort is part of laying the groundwork for the transition to performance-based organizations in the federal government. These laboratories range from single offices or activities, such as the Naval Postgraduate School, to large organizations, such as the Army Forces Command or the Defense Logistics Agency. These organizations are striving to find more effective ways to accomplish their business and better ways to serve their government and American public customers. To accomplish these purposes, DOD has allowed Reinvention Laboratories to waive regulations and eliminate restrictions that create inefficiencies. To promote exchange of "best practices" information, DOD has documented the success of Reinvention Laboratories and published the results to facilitate further change throughout DOD.

The Clinton Administration has published savings from the reinvention of federal government in the NPR reports each year. The savings identified to date are \$118 billion. (Gore, 1996, p. 1) These savings are discussed in greater detail in Chapter II. However, a summary of the Clinton Administration claimed savings is shown below:

1. A total of \$73.4 billion in savings from implementing the 1993 NPR report recommendations.
2. A total of \$24 billion in savings from implementing the 1995 NPR report recommendations.
3. A total of \$21.5 billion in savings from agency actions beyond the NPR. These include the Federal Communications Commission

realizing \$20.3 billion in revenue from auctioning wireless spectrum licenses. The General Services Administration restructuring of federal construction projects saved \$1.2 billion. (Gore, 1996, p. 1)

DOD has been very active in the reinvention effort. The majority of the savings identified by DOD have come through the reduction of 110,000 civilian employees and 223,400 military personnel. (Gore, 1996, pp. 80-81) These savings could be attributed to the end of the Cold War as much as they are to reinvention. However, the Clinton Administration is presenting them as savings from the reinventing and restructuring of government.

In January 1997, The Office of Performance Improvement and Management Reengineering within the Office of the Undersecretary of Defense, Comptroller sponsored the DOD Reinvention Laboratories Symposium. The objectives of the symposium included:

1. To provide an opportunity for DOD Reinvention Laboratories to meet and exchange ideas regarding reinvention initiatives.
2. To provide a forum for the transfer of knowledge and experience from successful labs to all DOD labs.
3. To provide DOD Reinvention Laboratories with the corporate DOD vision, strategy, and objectives in Logistics, Contracts/Acquisition, Human Resources, and Financial Management. (Foster, 1997, pp. 1-2)

Participating Reinvention Laboratories were asked to focus on process improvement questions such as:

1. What has been done to date?
2. What has worked and what has not worked?

3. What waivers have been requested?
4. Which waivers have been granted and which have been denied?
5. What performance measures have been used?
6. What recommendations do you have to assist Reinvention Laboratories in achieving process improvement? (Foster, 1997, p. 3)

The Defense Commissary Agency (DeCA) became the first DOD Performance Based Organization (PBO) in October 1996. (DOD, 1996, p. iv) Its goal is to serve the military customer better and at a lower cost to the taxpayer and customer through a series of administrative waivers and legislative changes.

Successfully implementing change has, historically, been a difficult task for bureaucratic organizations. The challenges facing DOD include traditional, procedural, legal, and personnel obstacles to reinvention. Many of the procedures the government follows are written in laws and require coordinated executive and congressional action to change. Declining budgets tend to force organizations to be more efficient. People, however, are reluctant to change the way they have always done business. Whether they become more efficient as a result of budget cuts is open to question. The reelection of President Clinton ensures that reinventing initiatives will continue for at least another four years. President Clinton and Vice President Gore published the *Blair House Papers* in January 1997 and briefed the new cabinet about the Reinventing Government initiatives and goals. DOD is committed to improving productivity and quality of performance. This thesis will focus on evaluating the initial DOD progress in accomplishing reinvention.

C. METHODOLOGY

This thesis relies heavily on elite participant presentations of DOD Reinvention Laboratories' accomplishments at a DOD Reinvention Laboratories Symposium

held from January 27-31, 1997, in Washington D.C. This conference brought together 291 representatives from DOD Reinvention Laboratories. Presentations were made by 35 people. Breakout sessions, where extensive question and answer discussions were held, followed these presentations. Subsequently, information packages and performance data scenarios were acquired from many of the presentations. For a list of the agenda, presenters and the agencies represented see Appendix B. Subsequent telephone interviews were conducted to clarify points as necessary.

Archival research was also conducted from reviews of NPR and DOD Reinvention Laboratories reports and documents. A comparison analysis of Reinvention Laboratory statistics and performance was drawn from these reports. Standard references were reviewed from the academic literature.

In Chapter II, the origins of the reinventing government through entrepreneurial thinking, reinvention terminology, and the NPR reports are discussed. Chapter III examines the Clinton Administration reinvention plans for the next four years, NPR and DOD Reinvention Laboratories, and success stories from the first ever Reinvention Laboratories Symposium. An analysis of the progress of Reinvention Laboratories and identification of the key elements required for successful reinvention is provided in Chapter IV. Chapter V discusses conclusions, answers the thesis questions, and provides recommendations for further research.

II. REINVENTION BACKGROUND AND LITERATURE REVIEW

This chapter will discuss the origins of the reinventing government philosophy, the Clinton Administration reinvention efforts from 1993 to 1996, specific accomplishments in government and DOD, and planned future activities.

A. REINVENTION OVERVIEW

1. A Changing World

In the late 1980s, the cover of *Time* magazine asked, "Is Government Dead?" (Osborne, 1992, p. 1) Confidence in government had fallen to new lows. Nearly three out of four people believed that Washington delivered less value and fewer services for the tax dollar than a decade earlier. (Osborne, 1992, p. 1) The hierarchical, centralized, rule driven bureaucratic government developed during the industrial era no longer seemed to work well in the rapidly changing information age. Bureaucracies were effective in the early twentieth century, but as they grew larger they became bloated, wasteful and inefficient. This bureaucratic model of government was not efficient, but it was effective. It provided security, jobs and economic stability, ensured fairness and equity, and delivered the "one size fits all" services needed during an era of infrastructure building of roads, highways, sewers, and schools. (Osborne, 1992, p. 14) During times of crisis such as the Depression and two world wars this government worked well.

However, government failed to adapt to the changing environment. Global economic competition, resource constraints, rapid simultaneous access to information by people and government, development of a knowledge based economy where workers demand autonomy, and the fact that customers are accustomed to high quality and extensive choice are forces that drive institutional change. In the 1970's, "America lost a war, lost faith in our national leaders, endured repeated economic problems, and experienced a tax revolt." (Osborne, 1992, p. 16) This created a

tremendous amount of stress upon government and new realities have struggled with old institutions during this era of continuous change and progress. Today's environment demands institutions that are flexible, adaptable, innovative, customer focused, and offer choices of high quality goods and services efficiently and effectively. Government is attempting to persuade vice command people. Employees are encouraged to develop a sense of ownership. Government is attempting to empower citizens rather than simply serve them.

2. Entrepreneurial Government

David Osborne and Ted Gaebler called this "entrepreneurial government" in their book *Reinventing Government, How the Entrepreneurial Spirit is Transforming the Public Sector*. (Osborne, 1992, p. xix) According to the French economist J.B. Say, "the entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield." (Osborne, 1992, p. xix) The reinventing government initiative attempts to utilize scarce taxpayer resources to maximize productivity and effectiveness. The demand for public services continues to outstrip revenues. A Coopers and Lybrand 1988 study of government executives revealed a constant emphasis on doing more with less through innovative, cost effective management techniques such as contracting for services, performance measurement, participatory management, impact fees and strategic planning. (Osborne, 1992, p. 18)

The fiscal realities of 1997 are accelerating the movement to entrepreneurial government. The characteristics of entrepreneurial government include the following:

1. Competing service providers between government and business organizations.
2. Empowering citizens by pushing control from bureaucracies to communities.
3. Measuring performance outcomes vice inputs.

4. Creating mission or goal driven institutions vice rules and regulations enforcers.
5. Redefining clients as customers and offering choices among service providers.
6. Preventing problems before they emerge vice applying bureaucratic services to problems.
7. Earning money vice just spending it.
8. Decentralizing authority.
9. Choosing market mechanisms over bureaucratic mechanisms.
10. Catalyzing public, private and voluntary sectors into action to solve problems. (Osborne, 1992, pp. 19-20)

Government is not a profit driven business. Politicians are driven by the desire to be reelected. Government is democratic and moves slower than business. Government provides services, does not make money and must serve all Americans. Therefore, it will not be as efficient as private industry, but it can adopt entrepreneurial ideas. W. Edwards Demming's Total Quality Management has been adopted by the public sector. The focus on results, customers, decentralization, prevention and market or systematic approaches has resulted in numerous examples of continuous improvement in DOD.

The power of outdated ideas has not been an easy obstacle to overcome. John Maynard Keynes noted, "the difficulty lies not so much in developing new ideas as in escaping from old ones." (Osborne, 1992, p. 23) Osborne and Gaebler described the environmental forces impacting government as an American Perestroika. They wrote that our, "fundamental problem is that we have the wrong kind of government. We do not need more government or less government we need better government. To be more precise, we need better governance." (Osborne, 1992, p. 24) However, the

reinventing movement is now a world wide private industry and public government phenomenon. President Clinton echoed these words when he wrote:

We can no longer afford to pay more for and get less from our government. The answer for every problem cannot always be another program or more money. It is time to radically change the way the government operates, to shift from top-down bureaucracy to entrepreneurial government that empowers citizens and communities to change our country from the bottom up. We must reward the people and ideas that work and get rid of those that don't. (Gore, 1993, p. I)

The reinventing government movement is a result of the combination of economic, political and social forces reacting upon America to change the basic way government does business.

B. REINVENTION TERMINOLOGY

This new public management relies upon many of the core concepts learned during the restructuring of American businesses in the 1980's and 1990's. This new management includes the "critique of functional specialization, process reengineering, just-in-time inventory management, and activity-based costing and cycle-time burdening," which are products of the information revolution. (Thompson and Jones, 1994, p. xii) These ideas have been embraced by DOD through Secretary Dick Cheney's initiatives and continued under Secretary William Perry. Reinventing government relies upon the economics of institutions and organizations, which deal with issues of "institutional design and administrative governance." (Thompson and Jones, 1994, p. xii)

Five terms used frequently in discussing the new public management are restructuring, reengineering, reinvention, realignment and rethinking. L. R. Jones and Fred Thompson defined these key terms as follows:

1. ***Restructuring:***

- * Cut everything in the organization that does not contribute value to the services delivered to customers.

2. ***Reengineering:***

- * Start over rather than trying to "fix" existing processes with "band aid" solutions.
- * Think about work processes and not functions and positions on the organizational chart.
- * Focus on improving service quality, reduced cycle time and costs.
- * Take advantage of new computer and other technologies.

3. ***Reinvention:***

- * Strategic planning and market research to move the organization toward new service delivery modes and markets.
- * Reinvent the service market strategy.
- * Develop a long range market and organization planning process.

4. ***Realignment:***

- * Change the organizational structure to match the new market and service delivery strategy.
- * Move to contingency organization and service delivery relative to new market and service strategy and opportunities.
- * Match organizational structure to strategy at all levels as a means for motivating management and employees.

5. *Rethinking:*

- * Better, faster evaluation of service performance and quicker feedback on improved market strategy and service delivery.
- * Think creatively about new approaches to service delivery.
- * Willingness to pilot test proposed innovations.
- * “Quick analysis” of results for decision making and change.
- * Sorting out real problems from symptoms and managing people to solve real problems quickly.
- * Creating the self learning and adapting organization. (Jones and Thompson, 1996, p. 1)

These ideas are radical thinking to traditional bureaucracies. They describe the foundation action principles that much of the reinventing government and specifically DOD is based upon. These words are not dictionary terms that are occasionally looked at. These action principles are alive and active in the National Performance Review initiatives and the DOD Reinvention Laboratories. These action principles are tools that managers use to implement reform designed to improve efficiency and effectiveness of government.

C. NATIONAL PERFORMANCE REVIEW

1. Initial 1993 National Performance Review

a. Goals and Key Principles

The NPR was announced as a non political review by President Clinton to “make improving the way government does business a permanent part of how government works, regardless of which party is in power.” (Gore, 1993, p. iv) The NPR was a six month review of every cabinet department and ten agencies by multiple teams of people from national, state and local governments, federal

employees and elected officials, businessmen and citizens. Simultaneously, DOD was performing the Bottom Up Review to meet President Clinton's national defense objectives and funding goals. Cabinet members created Reinvention Teams to lead transformations of their departments and Reinvention Laboratories to experiment with new ways of doing business. The NPR focused "primarily on how government should work, not on what it should do." (Gore, 1993, p. ii)

The NPR was published in September 1993 and described recommendations that if enacted would produce savings of \$108 billion over 5 years from Fiscal Year 1995-1999:

<u>Source of Savings</u>	<u>Dollar Amount (\$ Billions)</u>
1. Agencies	\$ 36.4
2. Streamlining the bureaucracy through reengineering	40.4
3. Procurement savings of 5% annually	22.5
4. Information Technology	5.4
5. Intergovernmental fee for service programs	<u>3.3</u>
Total Projected Savings	\$108.0 Billion (Gore, 1993)

A large portion of these proposed savings was to come from a 12% reduction in the federal workforce, totaling 252,000 positions. Acquisition reform would make government purchases less expensive. Incorporation of information technology allowed consolidation and modernization of facilities. Simplified paperwork and reduction of administrative costs of grant programs to states would save money. The NPR identified numerous internal organizational changes that departments could implement to reduce the cost of government. Legislation effecting these changes was recommended to Congress.

The NPR proposed creating entrepreneurial organizations following the four key principles of cutting red tape, putting customers first, empowering employees to get results, and cutting back to basics to produce better government for less. Cutting red tape required shifting from systems that hold people accountable for following rules to accountability for achieving results. Streamlining budget, personnel and procurement systems was necessary to reform government. A goal is to reengineer the civil service system to give managers the authority to make decisions about who to “hire, promote, reward and fire.” (Gore, 1993, p. 13) Decentralization of policies and removal of unnecessary regulations which stifle innovation were proposed. NPR advocated changing control systems and inspectors to prevent problems vice punishing offenders by helping agencies learn to perform better.

Putting customers first required all federal agencies to listen to their customers through feedback mechanisms. The goal was to provide “customer services equal to the best in business.” (Gore, 1993, p. 44) Internal government monopolies involving buying goods and services, acquiring and maintaining office space and printing public documents were abolished. (Gore, 1993, p. 44) Legislative changes were proposed to experiment with contracting out DOD billing, payroll, and data processing functions. The NPR recommended the creation and usage of market dynamics and mechanisms to create private enterprises to perform functions or spin off public organizations to private industry.

Empowering employees was designed to change the culture of the government by freeing employees from “mind-numbing rules and regulations” by delegating authority and accountability to accomplish a clear mission. (Gore, 1993, p. 66) Decentralized authority and decision making, labor-management cooperation, employee training and enhancing the quality of the workplace were central themes of the empowerment program. The Government Performance and Results Act of 1993, mandated increased accountability, waived administrative regulations and required

performance plans and measured results to determine if federal programs were meeting objectives. The NPR called for a comprehensive set of Federal Accounting Standards Advisory Board accounting standards in 18 months. The Department of Treasury would issue an audited annual "Accountability Report to the Citizens," specifying the financial statements of the government by 1997. Simplified statements were issued in 1995 and 1996. A National Partnership Council between federal employee unions and the executive branch was recommended. A President's Management Council to "lead the quality revolution and ensure the implementation" of NPR plans was proposed. (Gore, 1993, p. 89) This was necessary to ensure quality management principles were adopted, processes were reengineered and performance assessed by agencies.

Cutting back to basics recommended abandoning obsolete and eliminating duplicate programs. NPR called for an end to special interest privileges. Financial actions such as raising user fees, collecting debt and eliminating fraud were proposed. Savings were projected from reengineering programs, investing in innovation, electronic communication and utilization of alternative dispute resolution techniques.

b. DOD Goals

The NPR proposed a large number of initiatives without a great deal of specifics on how to accomplish them. It called for Reinvention Laboratories, involvement of federal employees in the process of reinvention, top level leadership from the President, Vice President, and Cabinet members, creation of a Management Council and Federal Quality Institute, and future reviews to target specific areas of improvement and monitor progress. (Gore, 1993, pp. 122-123) In relation to DOD the NPR covered many of the same areas as the Grace and Packard Commission reports in different words and with a different vision for government. (Thompson and Jones, 1993, p. 94) There were twelve specific DOD recommendations in addition

to the Bottom Up Review and Acquisition Reform Initiatives. The projected savings cover the period from 1994 to 1999.

The Bottom Up Review: A review of DOD force structure requirements with a total of \$79 billion in savings through 1997 were incorporated into the President's 1994 budget. (Not counted as NPR savings).

Acquisition Reform: Incorporate commercial practices into procurement to take advantage of technological advances and save money. (Proposed as part of other NPR recommendations).

DOD01 Rewrite Policy Directives to Include Better Guidance and Fewer Procedures: Reduce administrative burden and unnecessary regulatory controls.

DOD02 Establish a Unified Budget for the DOD: Give commanders flexibility to set priorities, solve funding and unplanned requirements at the lowest appropriate operational level.

DOD03 Purchase Best Value Common Supplies and Services: Buy best value supplies from public, private or nonprofit sources.

DOD04 Outsourcing Non-Core DOD functions: Focus on performing core functions.

DOD05 Create Incentives for DOD to Generate Business: Allow Corps of Engineers to receive revenue for certain commercial applications and installation commanders to generate income from solid waste reduction and recycling. Projected savings of \$500 billion.

DOD06 Establish and Promote a Productivity-Enhancing Capital Investment Fund: Expand capital investment fund and operate in a more business like manner. Projected savings of \$110.3 billion.

DOD07 Create a Healthy and Safe Environment for DOD Activities: Clean up hazardous wastes, use environmental technology and prevent pollution to create a safe work environment.

DOD08 Establish a Defense Quality Workplace: Use quality management concepts at all levels of DOD.

DOD09 Maximize the Efficiency of DOD Health Care Operations: Use technology to improve care at DOD facilities and reduce training costs. Projected savings of \$350 billion.

DOD10 Give DOD Installation Commanders More Authority and Responsibility Over Installation Management: Entrepreneurial management will better manage resources and improve services to employees.

DOD11 Reduce National Guard and Reserve Costs: (1) Limit compensation to federal employees on reserve duty to the greater of civilian or reserve pay or allow reservists to take annual leave. (2) Limit housing allowance to reservists who actually bring dependents with them on assignments when no housing is provided. Projected savings of \$900 billion.

DOD12 Streamline and Reorganize the U.S. Army Corps of Engineers: Implement 1992 proposal to reduce from 11 to 6 division offices and offer engineering and technical expertise to other agencies. Projected savings of \$68 billion. (Gore, 1993, pp. 136-137)

These echoed the broad goals of the NPR which correctly identified numerous deficiencies, but did not specify in great detail the mechanics of how to overcome these deficiencies. Some administrative reforms were recommended but there was a great deal of overarching guidance and proposed legislative actions. The President understood that the implementation of simultaneous changes in quality, personnel, budgeting, procurement and culture would not occur overnight or without bipartisan support from Congress. The NPR was the first step in the Clinton Administration plan to create an entrepreneurial government.

2. 1994 Status Report

a. *Summary of Progress*

In September 1994, Vice President Gore published the first NPR status report which documented progress in accomplishing major objectives. Significant actions included:

1. President Clinton signed 22 directives as well as performance agreements with 7 agency heads.
2. Congress passed 21 related laws mandating cuts in the federal workforce and employee buy out programs. This resulted in the elimination of 71,000 full time equivalent positions.
3. Over 100 agencies published customer service standards.
4. A total of 135 Reinvention Laboratories were created.
5. A total of 32 partnership agreements between labor and management were signed.
6. The Office of Personnel Management scrapped the 10,000 page Federal Personnel Manual and the SF-171 job application form.
7. Implementation of the acquisition reform initiatives eliminated many military specifications and usage of Visa cards reduced small purchase costs by an estimated \$50 million per year. (Gore, 1994, pp. 5-6)

The majority of the \$46.9 billion in savings claimed by the administration came from the reduction in the size of the work force. Congress increased the NPR recommendation for reduction in the number of federal employees from 252,000 to 272,900 by 1999. (Gore, 1994, p. 43) DOD reduced its civilian workforce by 57,000 out of the total 71,000 federal workers removed from the payroll. (Gore, 1994, p. 86)

The General Accounting Office announced that it disagreed with only one of NPR's 384 recommendations. (Gore, 1994, p. 7) This initial enthusiasm for the NPR was greeted by skepticism in many circles, because every administration has attempted to reform government. Defense Secretary Perry described this as, "many people have vowed to reform the government, but after they start that undertaking they mysteriously disappear, never to be heard from again. It's as if they had decided to take a vacation in Jurassic Park." (Gore, 1994, p. 7) President Clinton believed that the NPR would be different because, "when the Vice President finished his report, he had to go back to his office, twenty feet from mine, and go back to working to turn the recommendations into reality." (Gore, 1994, p. 8) Nonetheless changing the federal government is a task of great magnitude. Government spending is almost 25% of the economy. The cultural revolution that President Clinton desires is at least a decade long process of continuous improvement.

b. NPR Principles in Action

The progress report documented cultural changes by putting customers first, such as the reduction in the number of steps to manage DOD travel claims from 17 to 4, with projected savings of \$1 billion over 5 years. (Gore, 1994, p. 86) This process focused on internal customers and reduced a three week evolution to one day by using automation to reengineer the process. President Clinton ordered each agency to publish a customer service plan detailing customer surveys, state public or private standards used as benchmarks, survey employees, and design an easy-to-use complaint system and analyze complaints.

Colonel Thomas A. Dunn visited Saturn Corporation and other innovative companies before assuming command of the Red River Army Depot in Texarkana in 1992. Colonel Dunn empowered Depot employees by involving them in the planing and decision process. Management and union leaders visited Saturn Corporation and returned to create a new profit sharing awards program and over 40

self directed work teams. Despite a 20% reduction in workforce, the Depot produced the same number of vehicles in 1994 as it did in 1992. The drop in grievances to zero saved an estimated \$200,000. (Gore, 1994, pp. 37-38)

This commitment to new roles by senior management was highlighted by Vice President Gore in seven differences from the past that included empowerment, cross functional teams, customer satisfaction, involvement of all employees, improved communication, asking subordinates what they needed to do their jobs and measuring output not input. (Gore, 1994, p. 42) President Clinton established the National Partnership Council on October 1, 1993 to facilitate win-win solutions to personnel issues, create a flexible and responsive hiring system, reform the classification system and improve individual and organization performance. (Gore, 1994, p. 40)

DOD took specific steps to eliminate red tape and implement procurement reform. The "Pentagon scrapped all specifications for mess hall food and commenced buying real food." (Gore, 1994, p. 49) The U.S. Air Force reduced 1,600 regulations on 55,000 pages to 160 three page policy statements on a CD-ROM. (Gore, 1994, p. 49) In October 1993, President Clinton signed a procurement memorandum directing increased electronic commerce by 1997, with the goal to reduce a three week process to five days.

Five of the top ten U.S. semi-conductor producers refuse to do defense business because of procurement regulations requiring financial records not necessary in the commercial business world. During Operation Desert Storm, the U.S. Air Force wanted 6,000 Motorola commercial radio receivers because they were best suited to the war fighting environment. Motorola declined to sell them to the government because it could not meet the procurement regulations. This issue was resolved when Japan bought the receivers and donated them to the government. This type of problem contributed to Secretary Perry's decision to require a waiver to use

military specifications for procurement in June 1994. (Gore, 1994, p. 53) He believed this reversal in the usage of military specifications would reduce the cost of equipment and encourage more corporations to seek defense work. An agreement with Visa for a no fee credit card that pays rebates to the government was estimated to save \$50 on every small purchase. The potential savings included ten agencies making one million purchases a year.

The Omnibus Budget Reconciliation Act of 1993 was designed to reduce the projected deficits for 1994-1998 by more than a half-trillion dollars, through a combination of spending cuts and tax increases. The improving economy significantly helped reduce the deficit and maintain low inflation expectations and long term interest rates. The rhetoric of continued improvement in the financial status of the government must be analyzed at the end of the cycle and not on a day-to-day or quarter-to-quarter update of the nation's economy. Reducing government to the basics is a difficult task. The administration was unable to close the Uniformed Services University of the Health Sciences, a DOD university to train doctors, despite its costing \$562,000 per physician compared to \$110,000 in the private sector. Only ten percent of DOD physicians come from the university, and in a time of scarce resources they could be obtained cheaper from the private sector. The House of Representatives voted to close the university, but the Senate chose to study the issue. This demonstrates the continued power of pork in the budget.

The conclusion of the 1994 status report was that there was still a "long way to go." (Gore, 1994, p. 71) NPR recognized that major organizational changes require eight to ten years and the task of reducing people, improving services and productivity by reducing expenditures in areas of marginal contribution required more serious reengineering of work processes. Across the board "cookie cutter" cuts do not produce reinvention success.

3. 1995 Status Report

a. *Summary of Progress*

In September 1995, Vice President Gore published the second NPR status report by proclaiming the virtues of a common sense government that focuses on results to meet the nation's goals, treats people as customers and works, "better, faster and cheaper" to operate as well as or better than the best private businesses. (Gore, 1995, pp. 5-6) The significant accomplishments included:

1. Of the 1,250 1993 NPR recommendations, 379 (30%) have been implemented; 214 (17%) require legislative action, and 657 (53%) are still in process.
2. A total of 160,000 (60% of the goal) positions have been eliminated contributing to the \$58 billion (53% of the goal) savings. An additional \$10 billion in agency reinvention savings were put in place.
3. A total of 30 Presidential directives and 36 Congressional laws to implement NPR recommendations have been signed. Congress has passed 66 (24%) of the 280 NPR items requiring legislation.
4. A total of 200 agencies have published customer service standards. Over 200 Reinvention Laboratories were created. There were over 400 labor-management partnerships established.
5. A total of 16,000 out of 86,000 pages of agency regulations were scrapped and 31,000 pages were being reworked.
6. Consolidation of operations, increased customer choice, increased local control of government programs, cancellation of government programs, administrative reforms and privatization were part of 180 new recommendations announced. The projected savings from these actions is \$70 billion over five years. (Gore, 1995, pp. 1-8)

According to President Clinton the American people will regain faith

in government, "one customer at a time." (Gore, 1995, p. 5) The 1995 report emphasized the continued success stories and presented a theme of returning government performance to an era when, "good enough for government work" meant the best. (Gore, 1995, p. 5) The political context of the 1996 election must be remembered when reading the report which attempted to prove that the Reinventing Government movement was not a flash in the pan idea, but a long term improvement program. The format of the report was changed to highlight results. The report stressed the importance of using employee ideas and bottom up planning vice top down directives to produce results.

b. Common Sense Government

The recreation of common sense government that responds to the needs of customers in a timely manner continued to be a major NPR goal. An example of this was the Federal Emergency Management Agency (FEMA) response after the bombing of the federal building in Oklahoma City on April 19, 1995. The performance of FEMA was significantly better than earlier responses to natural disasters. Part of this credit is due to reinvention, but Congressional pressure and citizen outrage must also be given credit for the improvement in service.

Traditional government action of passing more laws vice repealing old ones in response to change has resulted in a proliferation of additional rules and laws. Agencies expanded vague Congressional laws into minute micro management detail that grew to 130,000 pages in the Code of Federal Regulations. (Gore, 1995, p. 28) The 202 volumes were over 21 feet long. Legions of lawyers and regulators engaged in mind warfare to find and close loopholes in these regulations. Duty bound employees enforced these laws. The cutting red tape initiatives were designed to change the perspective of federal employees and reduce the "obsession with procedures" and increase the focus on results. (Gore, 1995, p. 29) President Clinton directed federal regulatory agencies to perform the following activities:

1. Agencies were asked to cut obsolete regulations and fix the rest through a page by page review and push decision making down to the lowest level possible.
2. Management was directed to change performance criteria to measure and reward results and not red tape enforcement.
3. Organizations were directed to create partnerships with employees and customers.
4. Management was advised to empower people and let them figure out how best to get the job done. (Gore, 1995, pp. 35-36)

The report cited examples of success in each of these areas.

The Defense Logistics Agency was one of the initial 1993 Government Performance and Results Act (GPRA) pilot programs for creating mission-goal driven performance standards and measuring success. DOD reduced internal regulations by 30% and now all DOD directives are published on CD-ROM and available on the World Wide Web.

The Federal Acquisition Streamlining Act of 1994 was designed to reinvent the federal government's \$180 billion a year procurement system. (Gore, 1995, p. 114) The highlights of the legislation included raising the simplified acquisition threshold to \$100,000, promoting commercial purchases whenever possible, and reducing restrictions for purchases below \$2,500, which include 85% of procurement transactions. (Gore, 1995, p. 114) In FY1994, 2.5 million purchases were made, totaling \$808 million. Through June 1995, 2.9 million purchases were made, exceeding \$1 billion. The administrative cost avoidance from using the purchase cards was estimated to be \$68.5 million. (Gore, 1995, p. 114)

The implementation date for most of the legislation was October 1, 1995. The Office of Federal Procurement Policy (OFPP) published *A Guide to Best Practices for Past Performance*. (Gore, 1995, p. 114) A program to accelerate

development of the Federal Acquisition Computer Network (FACNET) single standard based electronic commerce capability for all federal agencies was initiated. An Acquisition Reform Network of on-line access to federal acquisition information including reference material, electronic commerce, training, best practices and opportunities was created. The usage of electronic record keeping for patient care is being tested at Scott Medical Center in Belleville, Illinois where paperless outpatient records for 90 providers in 40 clinics tracked 19,000 patient visits. Secretary Perry directed 250 DOD organizations to reduce cycle time in half for such transactions as space launches, audits, material support and maintenance by 2000. (Gore, 1995, p. 97)

c. Customer Service and Teamwork

Executive Order 12862 signed by President Clinton on December 8, 1994 directed the setting of customer service standards. (Gore, 1995, p. 52) On March 22, 1995, a second directive was signed that required agencies to survey customers and front line employees on how to improve service, measure customer satisfaction, integrate consumer service into all performance initiatives and coordinate customer service between agencies. (Gore, 1995, p. 63) Additionally, agencies were asked to emphasize improving service in areas involving the most transactions and identified as needing the most improvement. The emphasis on customer service resulted in the Social Security Administration (SSA) being awarded the highest rating in telephone customer service, (Gore, 1995, p. 50). The SSA employees answered the phone within 4 seconds, had the least hold time and provided knowledgeable answers to questions. The SSA ranked ahead of Southwest Airlines, Nordstrom, Saturn and Federal Express. The SSA receives 64 million phone calls a year and as many as 1.7 million in a day while servicing 45 million Americans. Wal-Mart corporation compared its pharmacies' prescription processing time against the best in the business and found out that MacDill Air Force Base, Tampa, Florida filled between 95% of its

4000 to 6000 prescriptions each day in less than 5 minutes. (Gore, 1995, p. 83) Incorporation of a state-of-the-art inventory system and performance measurement of workload, wait time and error rate has enabled MacDill to develop a world class customer service standard.

The task of cutting government and managing it better involved five simultaneous activities: restructuring (reducing the number of agencies, programs and people); reengineering (simplifying the procedures by cutting cycle time and using new technology to start over); reinvention (adopting the GPRA strategic planning and emphasis on service market strategy); realignment (reforming agencies structurally to better serve their missions), and rethinking (better and faster analysis of performance feedback to improve service).

The Army Corps of Engineers used the Alternative Dispute Resolution process to resolve differences with communities, citizens, the construction and trade industry, and the legal community. This technique was used to “accelerate hazardous waste cleanup projects, resolve conflicts over the operation of multipurpose dams, handle wetland permits, acquire real estate and even handle internal labor disputes.” (Gore, 1995, p. 83) The Army Corps of Engineers legal case load was reduced by 70% and claims values were decreased from \$1 billion to \$220 million.

The Defense Personnel Support Center (DPSC), Philadelphia, has provided food, clothing and medicine to troops and even had its own uniform factory since the Civil War. There were several warehouses filled with the same items for years. The \$3.5 billion DPSC was “no longer a purchasing, billing, warehousing and shipping agency; it’s a food, clothing and medical broker.” (Gore, 1995, p. 84) Through an employee led reinvention effort using the “most advanced electronic ordering technologies, the agency makes it possible for its customers to buy brand name commercial products directly from the manufacturer, through a one stop electronic shopping catalogue, at competitive prices and with just-in-time delivery.”

(Gore, 1995, p. 84) This process has reduced cycle time from months to hours and saved money by eliminating many warehouse costs. The Ford Foundation's Innovation in American Government Award was awarded to DPSC. Another example of DOD reinvention impacted by DPSC was the reduction from seven to three warehouses for medical supplies at the Army Walter Reed Medical Center, Maryland. The supplies were provided by DPSC instead of maintaining inventories at Walter Reed, and the inventory levels dropped 90%, from April 1993 to February 1995. (Gore, 1995, p. 85)

The 1995 NPR report acknowledged that reforms were taking longer than anticipated and there needed to be more performance measurement, competition and privatization to make a more enterprising government. A need for increased trust and empowerment of employees combined with greater accountability were cited as critical to ensuring reform initiatives were carried out by political appointees, civil service and military employees. The NPR report contained isolated success stories, updated the status of major programs in summary style and identified several new recommendations. The specifics of many recommendations were not provided. The government appeared to be making progress, but not at the pace the Clinton administration would have preferred, especially with the 1996 Presidential election on the horizon. However, there were enough success stories that the President could claim significant progress during the campaign.

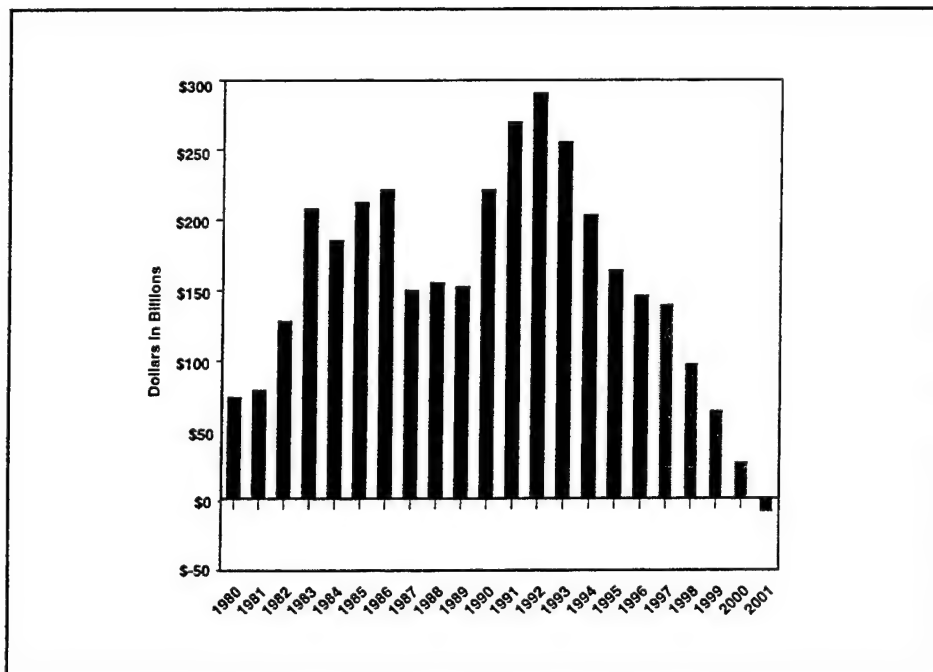
4. The 1996 Status Report

a. Summary of Progress

The 1996 NPR report was titled *The Best Kept Secrets in Government*. The report contained more detailed numbers than the previous three reports. The President declared that "the era of big government is over" in the 1996 State of the Union Address. (Gore, 1996, p. 1) The administration claimed a savings of \$118 billion:

1. A total of \$73.4 billion in savings came from the 1993 NPR report recommendations.
2. A total of \$24 billion in savings came from the 1995 NPR report recommendations.
3. A total of \$21.5 billion in savings came from agency actions beyond the NPR. (The Federal Communications Commission realized an income of \$20.3 billion from auctioning wireless spectrum licenses, and the General Services Administration restructuring of federal construction projects saved \$1.2 billion). (Gore, 1996, p. 1)

The combination of savings and the healthy economy resulted in a \$476 billion reduction of the annual deficit from 1993 - 1996, as shown in Figure 1. (Gore, 1996, p. 3)



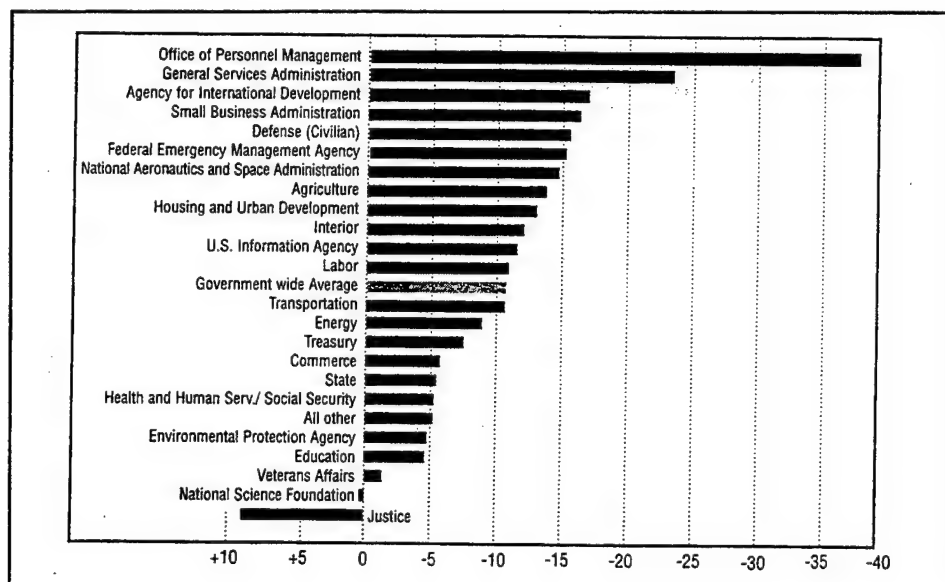
Source: Historical Tables: Budget of the United States; fiscal years 1997-2001 are estimates.

Figure 1. Total Annual Federal Budget Deficit 1980-2001

The context of the 1996 Report was designed to present the most favorable view point of the reinvention effort to produce the most political clout for the reelection of President Clinton. Nonetheless, there were actual examples of success and more quantitative data than any other report to substantiate the claim that reinvention was working.

b. Personnel Savings

The reduction in federal civilian employment is shown in Figure 2.
(Gore, 1996, p. 2)



Source: Office of Personnel Management, Monthly Report of Federal Civilian Employment.

Figure 2. Federal Civilian Employee Reductions by Agency from January 1993-January 1996 (in percentages)

The Federal Workforce Restructuring Act of 1994 mandated a civilian workforce reduction of 111, 900 Full Time Equivalent (FTE) positions by fiscal year 1995. (Gore, 1996, p. 168) By September 1996, the reductions totaled 185,000 FTE

positions, which exceeded requirements by 73,100 positions. (Gore, 1996, p. 168) The administration estimated that 90% of the total of 272,900 positions would be eliminated by the end of FY 1997. (Gore, 1996, p. 168) There were 114,856 buy outs and hiring was reduced from over 100,000 to 50,000 per year. (Gore, 1996, p. 2) Personnel restructuring has contributed the most money to the savings credited to reinvention. The administration estimated that this accelerated reduction in personnel saved an additional \$6 billion from the 1993 NPR goals. There were 450 labor-management partnership agreements, which was an increase of 50 from 1995. The new spirit of cooperation between organized labor and management has been credited for reduced legal expenses and facilitating smoother buy out programs and implementation of reduction in force actions when required.

Restructuring the DOD workforce resulted in a 16% reduction, which totaled 110,000 civilian employees during FY 1994-FY 1995. DOD must decrease its workforce by another 100,000 by FY 1999 for a total of a 23% reduction. (Gore, 1996, p. 81) The changes in the number of supervisors is shown below:

**Table I. Changes in the Number of Supervisors in Government
(Data in Percent)**

<u>Defense</u>	<u>Supervisors</u>	<u>Headquarters Staffs</u>	<u>Management Control Positions</u>
Air Force	-13	- 8	-8
Army	-14	-17	-8
Navy	-19	- 7	-8
Agencies	<u>-19</u>	<u>- 3</u>	<u>-8</u>
Total	-16	-10	-8

For the federal government, the average reductions were 20% for supervisors, 14% for headquarters staffs and 9% for management control positions. Therefore, DOD was below average in the total reduction of worker-to-supervisor ratios. However, the data does not indicate what were the starting DOD ratios of management positions. Military personnel were decreased from 1,705,100 in FY1993 to 1,481,700 in FY1996. (Gore, 1996, p. 80) This was a reduction of 223,400 or 13% of the active duty personnel.

c. NPR Recommendation Savings

Table II provides a summary of estimated and realized savings from NPR recommendations. The \$12.3 billion procurement savings were Administration estimates and did not come from the Congressional Budget Office. (Gore, 1996, p. 168) The three major acquisition legislative changes were the Federal Acquisition Streamlining Act of 1994, the Federal Acquisition Reform Act of 1996, and the Information Technology Management Reform Act of 1996. The 1996 laws streamlined the contract award process by allowing contracting officers, through new review procedures to "reduce the number of suppliers with whom they must negotiate." (Gore, 1996, p. 157) Simplified source selection for commercial items up to \$5 million were implemented. Contract approval and protest procedures were revised and agencies were allowed to manage their own information technology investments. The OFPP issued the *Guide to Best Practices for Performance-Based Service Contracting* in April 1996, to assist agencies in defining requirements in terms of performance standards rather in terms of how the work was to be done. (Gore, 1996, p. 157)

The Reengineering Through Information Technology savings were incorporated into the initial 1993 savings because of the difficulty in separating savings from information technology and personnel reductions. It was estimated that

Table II. 1993 Estimates of Savings from NPR Recommendations Compared with Savings from Actions to Date (in billions of dollars) (Gore, 1996, p. 170)

	FY95	FY96	FY97	FY98	FY99	Total
1. Streamlining the Bureaucracy Through Reengineering						
Savings estimated in September 1993 report	5.0	5.8	7.4	9.5	12.7	40.4
Savings based on actions to date	4.4*	8.2	9.8	11.5	12.5	46.4
2. Reinventing Federal Procurement						
Savings estimated in September 1993 report	0	5.6	5.6	5.6	5.7	22.5
Savings based on actions to date	0.7	2.8	2.8	2.9	3.1	12.3
3. Reengineering Through Information Technology						
Savings estimated in September 1993 report	0.1	0.5	1.2	1.6	2.0	5.4
Savings based on actions to date	0	0	0	0	0.4	0.4
4. Reducing Intergovernmental Administrative Costs						
Savings estimated in September 1993 report	0.5	0.7	0.7	0.7	0.7	3.3
Savings based on actions to date	0	CBE	CBE	CBE	CBE	CBE
5. Changes in Individual Agencies						
Savings estimated in September 1993 report	7.0*	6.2	7.0	7.3	8.9	36.4
Savings based on actions to date	4.3*	3.9	2.0	2.1	2.1	14.4
Savings pending in legislation	0	0	0.4	0.4	0.5	1.3
Total Savings for NPR Phase 1						
Savings estimated in September 1993 report	12.6*	18.8	21.9	24.7	30.0	108.0
Savings based on actions to date	9.4*	14.9	14.5	16.4	18.2	73.4
Savings pending in legislation	0	0	0.4	0.4	0.5	1.3

CBE=Cannot be estimated at this time; estimates will be developed later.
 *Figures include some FY 1994 savings.
 Note: Details may not equal totals due to rounding.

the incorporation of electronic benefits transfer would produce \$200 million per year in savings once fully implemented in 1999. (Gore, 1996, p. 169)

The Reducing Intergovernmental Administrative Costs savings involved procedures with Indian Tribal governments and have not produced the desired

savings. The Changes in Individual Agencies reflect the 54 laws signed since 1993 to improve government efficiency.

The estimates from the 1995 NPR report savings are shown in Table III.

Table III. Estimates of Five Year Savings From New NPR Recommendations FY 1996-2000 (budget authority in millions of dollars) (Gore, 1996, p. 171)

	FY96	FY97	FY98	FY99	FY00	Total
Savings estimated in September 1995 report	4.9	12.4	16.5	15.9	19.8	69.4
Savings based on actions to date	3.0	4.0	4.8	5.7	6.5	24.0
Savings pending in legislation	0.0	0.3	0.7	1.4	1.6	3.9

Note: Savings are calculated from the current services baseline approach. They include mandatory as well as discretionary savings and revenue increases. Details may not equal totals due to rounding.

These projected savings were the least specific in the report and subject to Congressional approval of proposed budget items.

d. Specific Actions

Procurement reform was credited with negotiating reductions in overnight postage from \$27 to \$3.62 and telephone charges from 16 cents per minute to 5 cents per minute and internal government call rates of 2 cents per minute. (Gore, 1996, p. 13) Multiyear contracts combined with elimination of military specifications were cited as contributing to the decrease in price of the new C-17 cargo plane by \$2.7 billion. Similarly \$2.9 billion was saved on smart munitions and \$100 million on the Fire Support Combat Arms Tactical Trainer. (Gore, 1996, p. 14)

There were about 250 Reinvention Laboratories in 1996. A joint effort between the Defense Contract Audit Agency and Defense Logistics Agency (DLA)

substituted international quality standards for government standards and reduced contractor overhead costs associated with maintaining two quality standards. Government costs were reduced by \$150 million according to the NPR report. There was no further substantiation of this reduction provided. DLA focused on, "simplified, cost-effective work processes and relied on employee ownership of programs and methods to evaluate the effectiveness of its programs in order to meet the key goal of putting customer needs first." (Gore, 1996, p. 81) DLA reengineered its distribution process at Columbus, Ohio, cutting average time to fill a customer order at the depot from 11.8 days in 1993 to 2 days in 1994. (Gore, 1996, p. 81) The Defense Printing Service, established in 1992, has reduced its staff by 43%, facilities by 30% and square footage by 700,000 square feet, disposed of 4,000 obsolete items and saved \$70 million annually.

The Defense Finance and Accounting Service (DFAS) has been the subject of consolidation and reform since its inception in 1991. Through FY1995, DFAS reduced staffing from 30,000 to 23,800 and achieved budget savings of \$314 million. (Gore, 1996, p. 82) The goals for consolidation of DOD finance systems include:

1. Replacing 27 payroll systems with the Defense Civilian Payroll System by 1997.
2. Consolidating 22 military pay systems down to 2 systems with the Defense Joint Military Pay System by 1999.
3. Standardizing the collection of debts from delinquent contractors and military and civilian personnel not on active payroll in 1993 with the Defense Debt Management System. (Gore, 1996, p. 82)

These changes were designed to simplify the complex DOD financial accounting systems.

An area that has not produced the savings expected is the Base Realignment and Closure (BRAC) process. Since 1988, 20% of the major and 200 minor bases have been approved for closure. Once fully implemented the projected savings were estimated to be \$6 billion by FY2000. (Gore, 1996, p. 82) However, the base closure process has been plagued by rising expenses for environmental cleanup, delays in closing to accommodate new military construction at expanding bases, community concerns with the condition of the bases and increased administrative costs. In fact shutdown funding has been insufficient to complete the process at many bases.

The 1996 NPR report continued to emphasize the cultural change to focus on customer satisfaction and presented several cases of improved agency performance. Some of the agencies involved included the Internal Revenue Service which now returns tax returns in forty days by mail and twenty one days by electronic form, the Social Security Administration now issues new cards within five days and new numbers within 1 day, and the U.S. Mint takes orders 24 hours per day, seven days per week. There were no specific DOD examples cited in the 1996 report that had not been mentioned in previous reports.

The 1996 NPR report discussed partnering with business and communities to empower employees, industry and state and local governments to improve performance of many government services. The majority of these issues dealt with the redistribution of resources for welfare, health care, education, crime prevention, environmental protection and consumer protection. DOD continued to out source functions in the support areas such as direct delivery of supplies to DOD customers vice warehouses to reduce costs and delivery time.

5. Blair House Papers

a. Cabinet Instructions

President Clinton and Vice President Gore published the *Blair House Papers* in January 1997. Before the inauguration, President Clinton wrote: "We must give Americans the tools to make the most of their lives, to renew national confidence that we can solve our most difficult problems when we work together, and to advance America's role as the world's strongest force for peace, freedom and prosperity." (Clinton, 1997, p. iii) These papers were written as instructions for the new cabinet. There were designed to be, "practical, written as rules, focused on the highest impact rules for reinvention success and golden." (Clinton, 1997, p. viii) The book emphasized customer service, partnering between business and government and reinventing government to reduce the cost of government. The Cabinet Secretaries were asked to set, "clear, uplifting goals and make sure everyone understands how the goals relate to their own jobs. We asked the Cabinet to line up their plans, budgets, personnel performance appraisals, and other management systems with their goals, and then to measure the results they seek. This is good advice for the Cabinet and for every leader in government." (Clinton, 1997, p. x) The Administration was clearly attempting to secure top level commitment to reinvention and entrepreneurial government. Vice President Gore told the Cabinet, "that they would know they had succeeded with reinvention when all the people in their departments understood the goals and values of the organization, and could use them to adjust quickly to changing circumstances." (Clinton, 1997, pp. x-xi) He also said, "federal employees would recognize success: When they wake up in the middle of the night and can't get back to sleep right away, they will be thinking about how to do their jobs better." (Clinton, 1997, p. xi) These are ambitious goals for a bureaucracy that has not traditionally demonstrated this type of unity and focus on goal accomplishment.

Treating the public the way top companies treat customers was the key to delivering great customer service and built upon the 1993 Executive Order 12862. The strategy focused on identifying customers and winning them over, finding out how things are going by getting out of Washington D.C., and being smart about using information technology. (Clinton, 1997, pp. 7-11) These issues dealt with timeliness and quality of customer service, receiving feedback from front line workers and customers and bench marking. The information technology guidelines discussed reengineering before automating, testing and fixing before buying large systems, using commercial off the shelf items, out sourcing and integrating information collected by different agencies.

The fostering of partnerships and community solutions stressed compliance not enforcement, removal of barriers so communities could produce results, increasing labor management partnerships and usage of alternate dispute resolution to resolve differences. (Clinton, 1997, pp. 14-22) The elimination of outdated regulations and rewriting remaining rules to simplify understanding, rewarding results not red tape, not requiring unnecessary reports and allowing fines to be applied to fixes were familiar NPR themes. Partnerships were encouraged to promote collaborative problem solving, investment in human capital and use of consensual methods to solve differences vice court rooms.

The following specific actions were recommended to accelerate reinvention:

1. Get the best from people: shift decision authority, budget control and high grades to the front line. Raise the spirit of the work force: empower and energize the employees by removing the barriers to trust, such as time sheets, multiple approvals for travel requests, and limiting access to tools such as the Internet.

2. Look for reinvention savings to fund new ideas: eliminate unnecessary work and maintain or improve customer or mission performance with less resources and fewer people.
3. Pool resources with other departments: provide one stop shopping to the customer by collaborating with other agencies such as a customs and immigration inspection of travelers entering the U.S.
4. Seek Congressional relief from wasteful restrictions: continue to recommend elimination of non value added laws, regulations and practices that limit effectiveness and efficiency.
5. Reengineer to reduce headquarters and overhead: achieve the 1993 NPR recommendations of a 50% reduction in supervisors, headquarters staff positions and management control positions.
6. Move money and positions to service jobs: eliminate layers of management and use these people on the front lines to serve the public.
7. Use common sense procurement policies: prevent internal rule writers from creating new rules to block the intent of the acquisition reform legislation. Use past performance and performance based service contracting to focus on results not the process.
8. Expand competition to save money: continue to increase public versus public and public versus private competition to provide better and cheaper service to customers. Use just-in-time inventories, consolidation, out sourcing and privatization to reduce costs.
9. Create Performance Based Organizations (PBO): commit to clear objectives, specific measurable goals, customer service standard and performance improvement targets. There are nine proposed PBO in the first phase and FY1998 budget. (Clinton, 1997, pp. 22-43)

The ideas were consistent with the NPR themes of the first Clinton Administration. There were only a couple of DOD examples in the entire book. One dealt with employee empowerment and the other with the PBO for DECA.

b. Future NPR Activities

Vice President Gore wrote, "reinvention restores our faith" in government ability to govern efficiently and effectively. (Gore, 1996, p. 66) The conclusion of the 1996 NPR report was that continued progress towards entrepreneurial government was required to meet the goals of cutting red tape, focusing on customers, empowering employees and producing more service for less cost. The Clinton administration created a NPR homepage address "<http://www.npr.gov>" to publicize the success stories of the Reinventing Government recommendations. The inauguration speech of President Clinton on January 21, 1997 said: "Today, we can declare: Government is not the problem, and government is not the solution. We the American people are the solution." (Frisby, 1997, p. A20) President Clinton reinforced the reinventing government themes: "We need a new government for a new century...humble enough not to try to solve all our problems for us, but strong enough to give us the tools to solve our problems for ourselves; a government that is smaller, lives within its means, and does more with less." (Hunt, 1997, p. A1) The President's second inauguration speech spoke of a "land of new promise" with a balanced budget and values. (Hunt, 1997, pp. A1-A8)

The executive drive towards entrepreneurial government will continue during the next four years. These ideas are not new. The President's Committee on Administrative Management explained in 1937, "It has been demonstrated over and over again in large organizations of every type in business and government that genuine savings in operation and true economics are achieved only by the provision of adequate managerial machinery which will afford an opportunity for central executive direction to pursue day after day and year after year, in season and out of season, the task of cutting costs, of improving service, and of raising standards of performance." (Thompson and Jones, 1994, p. 14)

The test to measure the success of the recommendations to improve government from the NPR and subsequent initiatives will not be found in the NPR reports. The reports documented success stories and identified financial savings often without explaining the specific details. The 1996 report contained examples of successes that had been mentioned in previous reports. If the reader did not review all of the reports this fact would not be obvious. The 1996 report was very positive about the success of reinvention and part of this was due to the politics of the presidential campaign. DOD recommendations first listed in the NPR were not discussed in detail in the updated reports. Many DOD examples cited in the reports were from the Reinvention Laboratories. The reinventing government performance measure will be the ability of agencies and organizations to restructure, reengineer, reinvent, realign and rethink the basic functions and operations of the government. The arena for these actions is the Reinvention Laboratories. For DOD the promise of significant changes in the way business is done may come from these oasis of entrepreneurial management.

The next chapter explores the 1997 Clinton administration reinvention activities, the impact of President Clinton's FY 1998 budget on reinvention, and the status of NPR Reinvention Laboratories. An analysis of the types, sizes, and progress of DOD Reinvention Laboratories and specific examples of reinvention successes are discussed.

III. DOD REINVENTION LABORATORIES

This chapter provides an insight into the 1997 Clinton Administration reinventing government plans, a discussion of NPR Reinvention Laboratories, an analysis of DOD Reinvention Laboratories, and specific examples of reinvention in DOD activities.

A. REINVENTING GOVERNMENT IN 1997

1. The Next Four Years

John Kamensky, Associate Director of Vice President Gore's NPR office, briefed the DOD Reinvention Laboratory Conference on the Clinton Administration plans for continued reinvention and establishment of entrepreneurial government over the next four years. He spoke of the three elements of the NPR effort: the NPR office that coordinates the reinvention effort, NPR in the executive department leadership, and NPR in the agencies where employees put the four major principals to work to reinvent their organizations. (Kamensky, 1997)

Kamensky said that Vice President Gore briefed the new Cabinet on January 11, 1997 about the goals of reinventing government and the contents of the *Blair House Papers*. Vice President Gore is dedicated to driving the executive management team to institutionalize the reinvention principals to achieve administrative goals of more effective and efficient government. He is doing this by personally teaching cabinet members and political appointees about reinvention. The goal to fully implement GPRA as part of the NPR effort in 1998, is mandating management for results. A key part of this task is to change the culture of government employees to realize that reinvention is the way to change their job and improve the quality and reduce the cost of government. The post office improvement from 80% overnight delivery rate in 1994 to 96% in 1996 is now better than the private sector due to employee improvements in the process. The administration priorities of budget

control, higher quality of education, improved government performance and increased trust in government will not occur without successfully implementing reinvention principles in a fiscally constrained world. President Clinton told the Cabinet and the nation that if the trust issue was not resolved then all of the others would not matter. (Kamensky, 1997)

2. State of the Union Address

The State of the Union address by President Clinton called for Congress to balance the budget and continue to reinvent government. There were few new initiatives and expensive programs proposed, which reflects the economic and political reality of the pressure to reduce the size and cost of government. President Clinton asked the country to rally behind a, "national crusade" to improve education. (Stout, 1997, p. A20) The President proclaimed, "the greatest step of all, the high threshold to the future we now must cross, and my number one priority for the next four years, is to ensure that Americans have the best education in the world." (Stout, 1997, p. A20) This major initiative can be viewed as an extension of reforms begun under NPR by the Department of Education. The request to adopt high national standards and test every fourth grader in reading and every eighth grader in math by 1999, is an example of entrepreneurial government of establishing metrics, measuring performance and correcting deficiencies. A small proposed increase in funding of education by 20% to \$51 million in the FY 1998 budget is a small increase relative to previous administration's attempts to fund major programs. (Stout, 1997, p. A20) Increased usage of the Internet and electronic education are in accordance with the NPR goals of empowering the workforce and providing the training required to improve productivity and performance. This reflects a continued focus on doing more with less and accepts the fiscal constraints of limited resources to accomplish Administration goals. The State of the Union address did not discuss defense measures in great detail. The focus of the administration during a time of relative

peace is focused more on "butter" than "guns." This means that there will be no planned, major expansion in defense spending in the next four years.

3. President Clinton's FY 1998 Budget

The FY 1998 budget emphasizes the importance of reducing the deficit, the need to improve education and the political importance of providing a tax cut to the middle class families earning between \$30,000 and \$75,000, with children. (Wessel, 1997, p. A1) The budget proposal is a compromise that attempts to balance reduced government spending and the drive towards a balanced budget, a campaign promise to reduce middle class taxes, and change government spending to emphasize productivity enhancing investment in America. The first two objectives received funding levels to achieve them. However, the proposed level of 1.6% of the Gross Domestic Product, for investing in productivity is the lowest in 35 years, and insufficient to substantially increase productivity. (Wessel, 1997, p. A1)

An analysis of the DOD budget of \$250.7 billion demonstrates a commitment to military readiness but, "was a clear message that the budget crunch is getting worse, not better." (Ricks, 1997, p. A10) Current plans call for the military to retain end strength with a small decline in real spending over the next five years, while increasing weapon systems procurement by about fifty percent. This is the central issue facing the Quadrennial Defense Review that will report to Congress in the summer of 1997. The expected "efficiencies that officials have been counting on to ease the coming squeeze are not reflected in the key Operations and Maintenance Account, which the spending plan" predicts will remain at \$92 billion annually through fiscal year 2002. (Ricks, 1997, p. A10) Defense Secretary William Cohen said, "It's going to be a very hard climb" to increase procurement spending to the planned levels. (Ricks, 1997, p. A10) The budget proposes reducing the amount of funding for purchase of new weapons and equipment from \$44.1 to \$42.6 billion. However, it is expected that Congress will increase this number by two to five billion

dollars. The proposed budget reduces procurement spending at a time when multiple acquisition programs for submarines, ships, aircraft and weapon systems are all planned. There is not enough money to fully fund all of these programs, but there is a reluctance to kill programs. Therefore small "cookie cutter cuts" are applied to all programs. In the past, programs have been "stretched out" over a longer period of time and production rates decreased to accommodate insufficient funding, this increases life cycle costs in the long run. Contingency operations and other than war activities such as Bosnia and Iraq continue to cost more money than expected. The total bill for Bosnia is estimated at over \$6 billion and the Iraq operations at over \$3 billion. (Ricks, 1997, p. A10)

In light of the proposed budget, the importance of reinventing DOD becomes more important and critical to the purchase of new weapon systems. The failure to incorporate significant savings from reinvention into the Operations and Maintenance Account has been reflected by a renewed effort from DOD to reduce the overhead costs of the infrastructure, and the supply and support functions to the war fighters in order to provide additional funds for weapon procurement. (Newman, 1997, p. 23)

In 1995, "Congress passed a law ordering DOD to reduce its core headquarters staff by 25 percent within five years, with a 15 percent cut due by October 1, 1997." (Newman, 1997, p. 23) DOD expects to achieve a five percent reduction by the deadline. The fiscal reality of limited financial resources combined with Congressional oversight of these scarce dollars will force DOD to continue to become more efficient and effective in allocating resources.

The importance of the work of the reinvention laboratories does not appear to be decreasing. The progress of NPR laboratories will be discussed in the next section.

B. NPR REINVENTION LABORATORIES

Jeffery Goldstein, of the NPR office, described Reinvention Laboratories as engaged in a "guerilla war" against bureaucratic government at the DOD Reinvention Laboratory Conference. (Goldstein, 1997) The "envelope of change" is being pushed by the over 270 Reinvention Laboratories in government. (Goldstein, 1997) Under the leadership of Vice President Gore, the NPR is attempting to create an entrepreneurial atmosphere to unleash the creative power of the federal workers to set the pace for government; obtain constant improvement; perform better and faster with fewer resources; think boldly; take risks and encourage others to do the same. (Goldstein, 1997) Reinvention Laboratories have an opportunity to leverage reinvention by using the principals of NPR, waivers and outside the box thinking to accomplish clearly defined goals through win-win solutions. Over 100 organizations volunteered to become Reinvention Laboratories in 1993. The organizations selected were front line organizations who work with customers and had, "full and explicit top management support." (Goldstein, 1997) Reinvention is a challenging task and cooperation is not easily obtained by bureaucracies. The major reinvention issues discovered by the NPR include:

1. The cultural barriers of resistance to new ideas and the requirement to produce results while fighting old organizational "habits, hearts and minds."
2. The absence of measured performance data. GAO noted metrics need to be created, data obtained and analyzed to document performance improvements.
3. That waivers are only one reinvention tool and are difficult to obtain. Many times waivers are not required, but organizations are reluctant to change internal rules and regulations.
4. Reinvention Laboratories were designed to accelerate change by receiving funding and waivers. Failure to raise the visibility of the

reinvention initiatives to obtain top management support will limit the ability to leverage reinvention throughout an organization.

5. Reinvention Laboratories need to institutionalize change by linking to other Reinvention Laboratories and agencies to foster change and incorporation of new ideas throughout government. This is being accomplished by the increased usage of the Internet and home pages. (Goldstein, 1997)

According to Goldstein, the most successful Reinvention Laboratories have:

1. Created a sense of urgency.
2. Included top management from the beginning and used them as a catalyst for change.
3. Defined a meaningful and clear vision for the organization.
4. Communicated the vision, goals and plan of action to everyone often.
5. Identified obstacles to change and found a way to tear them down.
6. Celebrated success and recognized people for their efforts.
7. Continued on the path of change and not declared victory and quit after reinventing one process.
8. Demonstrated persistence in the face of obstacles. (Goldstein, 1997)

The progress of all NPR Reinvention Laboratories lays the groundwork for an examination of DOD Reinvention Laboratories.

C. DOD REINVENTION LABORATORIES

It is important to understand what organization in DOD is responsible for the monitoring the performance of Reinvention Laboratories. In order to better understand the accomplishments of DOD Reinvention Laboratories, an analysis of the

number, size, type, and progress achieved was performed. Finally, lessons learned can be gleaned by reviewing specific examples of successful reinvention.

1. Responsible Office

DOD organizations were some of the first considered for designation as a Reinvention Laboratory. The Office of Performance Improvement and Management Reengineering within the Office of the Under Secretary of Defense, Comptroller was assigned as the coordinator of DOD Reinvention Laboratories. This office organized and conducted the first DOD Reinvention Laboratories Symposium. This office placed the DOD NPR on the World Wide Web under the following address: <http://www.dtic.dla.mil/npr/>. Initially, a list of Reinvention Laboratories, NPR points of contact, waiver information and a list of Hammer Award recipients is available. The goal is to expand this information to include success stories and lessons learned from Reinvention Laboratories. (Foster, 1997)

2. Number of DOD Reinvention Laboratories

The *Defense Performance Review Reinvention Laboratories Summary* listed 88 Reinvention Laboratories and the *Reinventing the Department of Defense September 1996* described 225 successful applications of entrepreneurial government. (DOD, 1996) The number of Reinvention Laboratories changes as new organizations are designated as Reinvention Laboratories. The Office of Performance Improvement and Management Reengineering Home Page contains the latest list of Reinvention Laboratories on the Internet under <http://www.dtic.dla.mil/npr/>. Table IV indicates the Reinvention Laboratories by DOD organization as of January 31, 1997.

Table IV. DOD Reinvention Laboratories by Organization (DOD, 1996)

<u>Organization</u>	<u>Number of Reinvention Laboratories</u>	<u>Number of Specific Success Stores (Note 1)</u>
Air Force	7	37
Army	22	34
Navy	14	8
Marine Corps	12	5
Central Imagery Office	1	5
Defense Finance and Accounting Service	4	10
Defense Investigative Service	1	0
Defense Intelligence Agency	0	2
Defense Logistic Agency	18	46
National Security Agency	6	5
DOD (Note 2)	3	6
Corps of Engineers	0	37
Defense Contract Audit Agency	0	7
Defense Commissary Agency	0	6
Defense Advanced Research Projects Agency	0	1
Defense Mapping Agency	<u>0</u>	<u>3</u>
Total	88	225

Note 1: Specific success stories were published for activities from many organizations that were not listed as Reinvention Laboratories in the *Defense Performance Review Reinvention Laboratories Summary*.

Note 2: DOD Science and Technology Laboratories includes 26 sites. (1 DOD, 5 USAF, 15 USA and 5 USN) (DOD, 1996)

The summary of Reinvention Laboratories provided information concerning the objectives, metrics and progress of the various organizations in achieving goals. This report did not mention dollar savings for the majority of these initiatives and there were numerous areas with "no progress" comments published. (DOD, 1996) This was an interim progress report and further information was scheduled to be provided at the Reinvention Laboratories Symposium. The *Reinventing the Department of Defense September 1996* described some success stories in greater detail than the NPR. The information provided insight into single specific accomplishments and some systematic changes. There was no discussion of the barriers encountered and the obstacles overcome by Reinvention Laboratories.

3. Size of DOD Reinvention Laboratories

A classification by size of the DOD Reinvention Laboratories listed in the *Defense Performance Review Reinvention Laboratories Summary* is shown below:

Table V. Reinvention Laboratories by Size (DOD, 1996)

<u>Organization</u>	<u>Total</u>	<u>Small</u>	<u>Medium</u>	<u>Large</u>
Air Force	7	3	1	3
Army	22	11	4	7
Navy	14	3	8	3
Marine Corps	12	2	10	0
Central Imagery Office	1	0	0	1
Defense Finance and Accounting Service	4	0	2	2
Defense Investigative Service	1	0	0	1
Defense Logistic Agency	18	0	6	12
National Security Agency	6	6	0	0

Table V (Continued)

<u>Organization</u>	<u>Total</u>	<u>Small</u>	<u>Medium</u>	<u>Large</u>
DOD	3	2	1	0
Defense Contract Audit Agency (Note 1)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	88	27	32	29
Percentage		31%	36%	33%

Note 1: A joint DLA and DCAA Reducing Oversight Costs Reinvention Laboratory was counted in the DLA total. (DOD, 1996)

The subdivisions in Table V were made from evaluating the size of the Reinvention Laboratories. Organizations across bases were counted as large organizations. Most bases were counted as medium size organizations. Smaller units located on a base were assigned a small size designation. Those organizations that were not listed as specific Reinvention Laboratories were not included in the classification process.

4. Functional Classification of DOD Reinvention Laboratories

DOD Reinvention Laboratories were assigned into the functional areas of combat; logistics; contracting; acquisition; financial management; electronic information technology; Research, Development, Testing and Evaluation (RDT&E); human resources; education and training and administrative support services. The breakout of these categories is shown below in Table VI:

**Table VI. Reinvention Laboratories by Functional Classification
(DOD, 1996)**

<u>Function</u>	<u>Total</u>	<u>USA</u>	<u>USAF</u>	<u>USN</u>	<u>USMC</u>	<u>DLA</u>	<u>Other (Note 1)</u>
Combat	3	2	0	0	1	0	0
Logistics	21	2	3	3	2	10	1
Contracting	5	0	0	0	0	4	1
Acquisition	5	3	0	2	0	0	0
Financial Management	2	0	0	0	0	0	2
Electronic Information Technology	4	0	2	0	0	2	0
RDT&E	2	2	0	0	0	0	0
Human Resources	7	5	0	1	0	0	1
Education & Training	5	2	0	2	0	0	1
Administrative Support	<u>34</u>	<u>6</u>	<u>2</u>	<u>6</u>	<u>9</u>	<u>2</u>	<u>9</u>
Total	88	22	7	14	12	18	15

Note 1: The other group includes all of the smaller DOD agencies and organizations.

The functional categories by percent is presented below in Table VII:

**Table VII. Reinvention Laboratories by Functional Classification in
Percent Format (DOD, 1996)**

<u>In Percent (Note 1)</u>							
<u>Function</u>	<u>Total</u>	<u>USA</u>	<u>USAF</u>	<u>USN</u>	<u>USMC</u>	<u>DLA</u>	<u>Other (Note 2)</u>
Combat	3	67	0	0	33	0	0
Logistics	24	9.5	14	14	9.5	48	5
Contracting	6	0	0	0	0	80	20
Acquisition	6	60	0	40	0	0	0

Table VII (Continued)

<u>Function</u>	<u>In Percent (Note 1)</u>						<u>Other (Note 2)</u>
	<u>Total</u>	<u>USA</u>	<u>USAF</u>	<u>USN</u>	<u>USMC</u>	<u>DLA</u>	
Financial Management	2	0	0	0	0	0	100
Electronic Information Technology	4	0	50	0	0	50	0
RDT&E	2	100	0	0	0	0	0
Human Resources	8	72	0	14	0	0	14
Education & Training	6	40	0	40	0	0	10
Administrative Support	39	18	6	18	26	6	26

Note 1: The total column is the percent of each category. The row data is the percent of the total number of the function by service. (DOD, 1996)

Note 2: The other group includes all of the smaller DOD agencies and organizations.

The largest number of Reinvention Laboratories was in the Administrative Support area. This group included 34 laboratories, which totaled 39% of all of the laboratories. These organizations vary in size and support every type of unit from a command to an entire service. The second largest group is the logistics organizations, which numbered 21 laboratories and was 24% of all laboratories.

5. Progress of DOD Reinvention Laboratories

The division of Reinvention Laboratories into areas of progress towards reinvention using the information from the *Defense Performance Review Reinvention Laboratories Summary*, the *Reinventing the Department of Defense September 1996*, and the Reinvention Laboratories Symposium is shown below:

Table VIII. Reinvention Laboratories Levels of Progress (DOD, 1996)

<u>Organization</u>	<u>Total</u>	<u>In Progress</u>	<u>Some Progress</u>	<u>Significant Progress</u>
Air Force	7	1	3	3
Army	22	11	3	8
Navy	14	8	5	1
Marine Corps	12	7	2	3
Central Imagery Office	1	0	0	1
Defense Finance and Accounting Service	4	3	0	1
Defense Investigative Service	1	1	0	0
Defense Logistic Agency	18	0	4	14
National Security Agency	6	3	0	3
DOD	3	0	1	2
Defense Contract Audit Agency (Note 1)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	88	34	18	36
Percentage		39%	20%	41%

Note 1: A joint DLA and DCAA Reducing Oversight Costs Reinvention Laboratory was counted in the DLA total. (DOD, 1996)

The categories above in Table VIII, are based upon the level of progress reported by the Reinvention Laboratories in the *Defense Performance Review Reinvention Laboratories Summary*, the *Reinventing the Department of Defense September 1996*, and the Reinvention Laboratories Symposium. Organizations that were in the initial phases of reinvention based upon results and not time were assigned the category of In Progress. A rating of Some Progress was given to organizations that demonstrated a plan with initial results coming from reinvention

efforts. Organizations that documented progress towards incorporating entrepreneurial government by performance improvements were listed as achieving Significant Progress.

Representatives from several DOD Reinvention Laboratories briefed the DOD Reinvention Laboratories Conference about some of the significant accomplishments in a variety of areas.

D. DOD REINVENTION LABORATORIES ACTIVITIES

The Reinvention Laboratories Symposium offered an opportunity to gather data on some of the Reinvention Laboratories that have experienced success through formal briefings and those that have not been successful through breakout meetings. The achievements of reinvention in the areas of travel, training support, food supplies, process improvement, wood and paper recycling, medical supplies, milk and office supplies in Korea, electronic financial transactions, and education and training are discussed in the following sections.

1. DOD Travel Reengineering

Karen Alderman, Director of Travel Reengineering, Office of the Under Secretary of Defense (Comptroller) briefed the progress in creating a new temporary duty travel system for all of DOD. A task force was created in June 1994 to improve service, meet operational requirements and reduce the cost to government. Alderman said political interest was increased when a senior military officer commented that the government spent \$2.3 billion to oversee a \$2 billion travel system. The accuracy of this statement was never proven, however, the effect was to create a strong desire to reengineer the 40 separate travel systems into a single system. Alderman commented that the current systems have \$3.5 billion in direct costs and about 15-30% overhead expense to operate. The travel process is characterized as expensive and not mission or customer focused. The system is not integrated and is built upon compliance principles and the philosophy that everyone cheats. (Alderman, 1997)

It does not incorporate best commercial practices. A comparison with the private sector revealed:

Table IX. Comparison of DOD Travel to Commercial Travel Standards (Alderman, 1997, p. 6)

<u>Function</u>	<u>Private</u>	<u>DOD</u>
Travel Policy	CONRAIL: 19 pages Marriott: 13 pages	Regulations: 230 pages
Travel Authorization Procedures	2-4 steps	17+ steps
Commercial Travel Offices	1 Stop Shop	Multiple Sources
Usage of Corporate Credit Card	100%	16%
Random Audit	Exceptions	100%
Reimbursement	2-5 days	15 days
Administrative Cost/Direct Cost	5-6%	15-30%

These numbers are based upon the data the task force analyzed. Furthermore, the private sector numbers were the best in the industry and designed to be a goal for DOD to meet or exceed. DOD established a program management office and directed that a seamless, paperless system be created in 90 days. (Alderman, 1997) There was a high level of DOD commitment from Deputy Secretary of Defense John Deutch. A philosophy change occurred that assumed travelers were honest. Additionally, commercial practices, one stop shopping, simple and clear rules, and supervisory control of the budget were established. Travelers kept receipts vice the government and the approval process was limited to one piece of paper.

Multiple organizations were responsible for the changes and key partnerships were formed with organizations such as IRS, GAO, GSA, the Services and Congress to rewrite regulations and make legislative changes to the lodging, telephone and fire

safety requirements in 1997. Electronic Funds Transfer (EFT), standard use of the DOD travel card and random audits were incorporated. A pilot study involving 27 sites and 50,000 travelers from all of the Services and many Defense Agencies was completed. Data from 10 pilot sites is shown below:

Table X. Preliminary Results of 10 Travel Pilot Sites (Alderman, 1997)

Preliminary Results:	
Labor Cost/Transaction	65% Decrease
Cycle Time	31% Reduction

The cost to process a transaction before the changes was determined to be \$103 per transaction. This was divided into \$66 for the processor and \$37 for the traveler. These numbers are based upon a decentralized noncommercial system. After the 10 site pilot study, the cost was reduced to \$34 per travel transaction. This was divided into \$17 each for the processor and traveler. The cycle time was reduced from 11 days to 7 days. These numbers are significant improvements from the old travel system.

The data for satisfaction with the new system based upon 17 pilot sites is shown below:

Table XI. Customer Responses from 17 Travel Pilot Test Sites (Alderman, 1997)

Customer Satisfaction Averages (Authorizing Officials and Travelers): (Note 1)	
Travel System judged fair and equitable	160% Increase
Understandable Rules and Reduced Administrative Burden	142% Increase
Quick Payment of Travel Vouchers	232% Increase
Sound System of Internal Controls (Authorizing Officials Only)	157% Increase

Note 1: This information is the opinion of the personnel involved.

The major lessons learned were that there are serious time barriers to overcome such as electronic signature; the leadership, cultural, training changes; validation procedures; electronic connectivity issues of compatible equipment; contracting requirements; industry capabilities; charge card accountability and feedback and communication systems. The Secretary of Defense directed some organizations such as DFAS to make the appropriate changes even though DFAS did not want to change their current payment system. The initial success has accelerated the pressure to implement the system rapidly. The pilot test will be completed in March 1997. A report is due to Congress in June 1997 and the first regional contract is due in the fall of 1997. Future planned activities include permanent change of station travel and including the National Guard and Reserve Forces in the new travel system. (Alderman, 1997)

2. Training Support Reinvention

Joe Harris, from the USA Forces Command (FORSCOM), presented information on innovative changes to the traditional training support given to the twelve continental Army Forts. The goal was to provide the increased support services customers desired at reduced costs with reduced total assets. (Harris, 1997) Divesting, consolidation, outsourcing, leveraging technology and smart business practices were the tools used to reduce overhead and provide support on demand.

The traditional method of providing support was for each fort to have all the functions located on the base, and the tenant commands would request services as required. For example, audio visual equipment valued at over \$3,000 dollars was centrally located and loaned to customers as required. This was an administrative burden to both the training support and customer. This system required personnel to track and monitor all of the equipment and was effective. However, over the years it had become unrealistic and too costly to continue. A video tape costs less than a dollar, but DOD policy prohibited just giving training tapes to commands without

making sure they were returned. A waiver was received in order to send training video tapes and not have the commands return them. FORSCOM changed the philosophy of accountability to a decentralized environment that provided equipment up to \$25,000 dollars in value to the activities and let them manage it. The result was a divesting of audio visual equipment to the tenant commands and television production and production of training devices to U.S. Army Training & Doctrine Command (TRADOC). (Harris, 1997)

The second phase of restructuring involved consolidation and outsourcing of functions. Regional electronic libraries were established. Centers of excellence were created by concentrating functions at one site such as TRADOC for training devices. A multifunctional organization was created that performed all photography, graphics and television support. Overhead was reduced by eliminating unnecessary duplicate functions. The plan was to provide primary services and then outsource for surge capability. This required fewer people and resources the majority of the time and therefore reduced costs. Painting signs on bases was outsourced from government employees to local painting companies. The chemical processing for photography was outsourced to local commercial activities. (Harris, 1997)

Smart business practices included an agreement to let Compact Disk Read Only Memory (CD ROM) technology be used without issuing written manuals containing the same information. One barrier to reinvention was the Army requirement for a full length uniform 4x10 inch black and white photo. These cost 35 cents each to produce. The average cycle time involved taking a picture and two weeks later reviewing it to see if it was satisfactory. Then the picture was mailed to U.S. Army Personnel Command (PERSCOM) and electronically scanned into the microfiche records. This was one of the most important pictures in the Army because it is designed to show the "drape of the uniform" and was viewed by every promotion

board to ensure that people did not appear to be overweight. This picture was difficult to take digitally. (Harris, 1997)

Every training center experimented with ways to achieve the goal of the customer using digital film. The best result was a three-fourths length photo using an old masters background that was electronically displayed to the Chief of Staff of the Army. He liked the electronic photograph and had the regulation changed to accept this new picture. The result was a reduction from several weeks to have a picture taken and put into a format ready to add to a record to a few minutes. The pictures are ready for review in ten minutes and, once accepted by the individuals, they are electronically sent to PERSCOM. (Harris, 1997) This reduction in cycle time saved money and time.

The result of all these actions was to eliminate 22% of the people who had performed training support. Office and warehouse space on each command was reduced and state of the art facilities were available to all organizations. The cost per item of such tasks as photography was reduced due to the usage of new technology, outsourcing and consolidation. The people were not taken off the pay roll. They were reassigned by the garrison commanders to fill other jobs that had not been supported previously. Fewer soldiers were being used to perform support functions that could be done more efficiently by using other resources. The training support functions have become more efficient and cost effective; however, there was no system established to capture and quantify all of these savings. (Harris, 1997)

3. Prime Vendor Delivery of Supplies

Mae DeVincentis, from the Defense Personnel Support Center (DPSC), presented information about the Prime Vendor delivery of supplies initiative that DLA has instituted. DPSC gross sales in 1996 were \$3,193.3 million, which would place it as number 341 of the top Fortune 500 companies in America. (DeVincentis, 1997, p. 4) Subsistence supplies accounted for \$1,107.2 million of this total. The General

Accounting Office (GAO) issued a report on June 4, 1993 that "recommended the Secretary of Defense direct all four Services and DLA to conduct a demonstration project using commercial food distributors (Prime Vendors) to provide direct delivery of food to military dining facilities in the continental U.S." (DPSC, 1996, p. 1) The Deputy Under Secretary of Defense (Logistics) (DUSD(L)) issued a memorandum on August 16, 1993 to the military department Secretaries and the Director, DLA requesting that a Joint Task Group (JTG) be formed to perform a demonstration project. The JTG chose to conduct the demonstration project in the four-state area of South Carolina, Georgia, Florida and Alabama because this area included dining facilities from all four services in both metropolitan and remote areas. This project represents a paradigm shift from the existing DOD subsistence supply system. The four services have different systems. DeVincentis said DPSC had to develop a unique interface for each service and coordinate payment to the vendor for each service. (DeVincentis, 1997)

The Prime Vendor program used commercial products, commercial business practices and emerging technologies. Long-term price, product, and distribution contracts with suppliers of various goods were made using electronic commerce. (DeVincentis, 1997) The Subsistence Total Order and Receipt Electronic System (STORES) is a multiple vendor and product line ordering system done using electronic data interchange that uses a facsimile backup transition to order products from electronic catalogs and lists. (DPSC, 1997, p. 2) Delivery is provided within 48 hours to the ordering galley and multiple orders per day can be made. Commercial off-the-shelf products vice food made to military specifications is provided to bases.

DeVincentis said a 1-2% fee for Prime Vendor is charged instead of the previous 11-20% surcharge. The requirement to order food several weeks in advance is eliminated and the requirement to have a large local inventory is eliminated. The direct delivery program enables the reduction of intermediate supply points and their

associated inventories. These supply points normally held between 30 to 60 days of semi-perishable and frozen food, fresh fruits and vegetables. (DPSC, 1996 p. 2) The requirement to make large economic order quantities to receive the best price is eliminated. Customers do not receive food that is issued past the expiration date and which then has to be certified as edible. The International Food Service Distributors Association statistics indicate commercial vendors inventory turnover rate of semi-perishable items is thirteen times a year compared to a DOD rate of once a year. (DPSC, 1996, p. 3) The dining facility can refuse delivery on the spot of any unsatisfactory or nonordered items. The delivery agent assists in resolving these problems. This increases customer satisfaction, as opposed to the traditional bureaucratic response.

The D.A. Operations Research Office (DOOR) performed a cost analysis of the Prime Vendor program during the demonstration phase. A "market basket" of goods valued at \$10 million, which was approximately 25% of total sales was selected. (DPSC, 1996, p. 4) This value is the procurement cost DPSC would have paid under the traditional system to purchase and distribute these items. These costs include "transportation costs, D.A. depot operating costs, DPSC and Defense Subsistence Office (DSO) operating costs, DFAS financial services, and end user infrastructure (e.g., warehouses, subsistence personnel, support equipment) at individual military installations." (DPSC, 1996 p. 4) Prime Vendor replaces transportation and depot costs with a fee.

Because the demonstration was a test, no facilities were allowed to be closed or personnel displaced. However, there are definite savings that will be achieved in this area. End user support, DPSC and DSO costs and DFAS financial services costs were artificially declared equal under both systems. However, in reality this is not the case and the report acknowledges that there would be personnel reductions and cost savings. Under these constraints the costs of Prime Vendor exceeded DOD costs

during the demonstration. An estimated break even point of about \$2000K dollars was determined by accounting for reductions in DOD infrastructure. (DPSC, 1996, p. 4) These reductions would include "closing or reducing end user subsistence facilities, reducing the numbers of subsistence support personnel, and reducing support equipment." (DPSC, 1996, p. 5) Despite the initial constraints some infrastructure savings were actually achieved by reducing personnel from 157 to 103 with payroll and benefit savings of \$1.4 million. Warehouse usage decreased by the following amounts:

Table XII. Decreased Warehouse Usage Due to Prime Vendor Initiative (DPSC, 1996, p. 5)

<u>Location</u>	<u>Square Feet Reduced</u>
Fort Benning	44,000
Fort Jackson	34,000
Parris Island	40,000
Naval Station Mayport	26,000

The requirement for cold storage and associated utility costs were reduced.

The basic cost of food was determined to be higher because name brands vice generic brands were bought. However, longer term contracts of higher volume will reduce this difference when the Prime Vendor program is expanded to the Continental United States. Other savings identified include a one time savings from reduction in DOD food inventories. It was estimated that the inventory reduction savings for the four state area was over \$18 million and the annual carrying cost savings were \$700,000 per year. Military construction funds to build, modernize and maintain existing subsistence facilities will be reduced by an undetermined amount. Prime Vendor contracts require sharing of rebates between the vendors and government.

These savings amounted to over \$500,000 during the demonstration which equaled a 1.6% rebate. These savings will offset the DOD overhead to manage Prime Vendor. (DPSC, 1996, p. 6)

DeVincentis stated that in the middle of the test during 1994 Congress was satisfied with the performance of the Prime Vendor program and directed the expansion to the rest of the Continental facilities. Currently there are multiple vendors being used and the entire Continental U.S. is using Prime Vendor. A web site exists for DPSC: www.dpsc.dla.mil. Prime Vendor does not currently cover Meals, Ready to Eat (MREs) and other combat rations or overseas units food supplies. The DON has 25 unique food items that DPSC continues to provide. (DeVincentis, 1997)

4. Air Force Action Workout

Senior Master Sergeant Dave Griffin, Air Combat Command Quality Insurance, Langley AFB, Virginia, discussed the Air Force "Action Workout...an Accelerator to Continuous Improvement" program. Action Workout is a part of the continuous improvement process the Air Force has been emphasizing under Total Quality Management. Air Combat Command sought expertise from private industry corporations like General Electric and Pratt and Whitney concerning process improvement. Commercial ideas such as pull vs push production; reduction of work in process inventory; production leveling; improving processes; optimizing production layout; reduction of defect rates and visual control techniques are translated into the Air Force work spaces. The goals of Action Workout are to reduce cycle time, improve quality and improve job enrichment. Reduction of cycle times focuses on systematically eliminating waste, reducing man hours and reducing floor space to increase productivity. Waste was described as rework, overproduction, transportation and conveyance, inventory, unnecessary motion, unnecessary processing and waiting. (Strader, 1996, p. 4) Simplifying processes, procedures and machinery

combined with establishing visible control mechanisms are used to improve quality. Job enrichment is provided by an opportunity for direct input to improving command performance, multiple skill development and creation of a safer work area. (Griffin, 1997)

Action Workout is a top down initiative and every Air Combat Command organization has been directed to have a site visit by the end of 1997. The general in charge stresses a “do it now” approach. The Action Workout team of 8-10 people conducts site visits to work with the process owners and operators to restructure, reengineer and rethink the way work is done to eliminate non value added work. This consultant team uses corporate people as required and has the support of each local senior commander, who is made part of the process during the site visit. Senior Commanders are briefed at the beginning, daily and at an out briefing and participate in follow on action planning. Changes are made on the spot to implement improvements in order to quantify and analyze the results. The critical path is identified and non value added steps are eliminated. Video cameras are used to record normal activities and film is analyzed to identify areas to improve the process. The multifunctional team has the appropriate specialties such as management, maintenance, engineering, human resources and administration necessary to make empowered decisions to change processes on the spot. A “sacred” process is followed that includes:

1. Need identification.
2. Site visit and preparatory work.
3. Unit preparation and data review (2-3 weeks).
4. Action Workout team on site for 1 week (Senior Commander briefed every day at 1600).
5. Follow on action planning. (Griffin, 1997)

At McDill AFB the physical examination process was evaluated by the Action Workout team. A comparison of the before and after time and distance requirements is shown below:

Table XIII. McDill AFB Action Workout Team Results
(Strader, 1997, pp. 9-10)

<u>Function</u>	<u>Pre Action Workout</u>	<u>Post Action Workout</u>
Physical scheduling process	180 minutes	35 minutes
Administrative cycle time	140 minutes	20 minutes
Exam results average cycle time	120 days	1 day
Process steps	19	9
Patient movement distance	1000 feet	100 feet
Additional travel on average (To review and pick up results)	3.5 miles x 2	None (same day results)

A similar analysis of the B-1B lubrication and service process produced the following:

Table XIV. B-1B Action Workout Team Results
(Strader, 1997, pp. 6-8)

<u>Function</u>	<u>Pre Action Workout</u>	<u>Post Action Workout</u>
Distance traveled conducting service	2.8 miles	0.2 miles
Maintenance hours required	96 hours	48 hours
Process changes	Excess unneeded steps	Heat exchanger flushing no longer required

These represent significant reductions in the cycle times to perform functions. There were no specific financial cost savings data provided. However, it is clear that savings were accomplished in time and elimination of wasted human and material resources. Personnel were assigned to perform other work that had not been previously accomplished.

5. Closed Loop Wood Recycling

Jerry Clemens, Special Operations Logistics Division, Defense Distribution Depot, Susquehanna (DDSP), Pennsylvania, DLA, briefed the prototype closed loop pallet reclamation, and wood and fiberboard recycling program. DDSP operates at both New Cumberland and Mechanicsburg. DDSP received a Hammer Award at the Reinvention Laboratories Conference on Friday, January 31, 1997 and had previously been recognized with the White House Closed Loop Award for 1996. (Foster, 1997) These two sites are 9 miles apart and process more than 750,000 cost orders per month and 20,000 customer orders per day from over \$4 billion supplies in inventory. (Clemens, 1997, p. 4) Faced with potential fines in violation of Executive Order 12873 in the summer of 1993 and excessive disposal costs, DDSP directed a review of current disposal of solid waste procedures. Initial goals of "reducing costs, protecting the environment, and eliminating the purchase of virgin timber" were established. (Clemens, 1997, p. 1)

DDSP disposed of pallets, crates and scrap lumber into landfills and incinerators. At one point the disposal cost "reached a high of \$1,200 per day, not taking into account expenses for equipment and labor." (Clemens, 1997, p. 1) The solid waste stream and costs are presented below:

**Table XV. Defense Distribution Depot, Susquehanna, Pennsylvania,
Solid Waste Stream and Costs (Clemens, 1997, p. 12)**

<u>Item</u>	<u>Amount or Cost (per year)</u>
Tons to Landfill	48,000 tons
Wood waste	40,000 tons
Cost to dispose of waste	\$2.4 million
Cost to dispose of wood waste	\$2.0 million

The cost associated with the materials used to transport and package supplies is given below:

**Table XVI. Defense Distribution Depot, Susquehanna,
Pennsylvania, Material Costs to Transport and
Package Supplies (Clemens, 1997, p. 13)**

<u>Item</u>	<u>Cost (per year)</u>
Pallets	\$2.9 million
Dimension lumber (Board Feet)	\$0.6 million
Packaging materials	<u>\$2.9 million</u>
Total	\$6.4 million

After analyzing the data, targets of opportunity for cost savings were identified as:

1. Pallets cost \$8.00 each for a total cost of \$3 million per year.
2. Dimension lumber costs were increasing 50 to 60 cents per board foot.

3. Cardboard shipping containers cost almost as much as the cost of the items being shipped. (Clemens, 1997, p. 13)

DDSP employees and management identified the following potential savings:

**Table XVII. Defense Distribution Depot, Susquehanna, Pennsylvania,
Potential Cost Savings (Clemens, 1997, p. 14)**

<u>Item</u>	<u>Cost Savings (per year)</u>
Landfill cost avoidance	\$2.0 million
Pallets	\$2.9 million
Dimension lumber	\$0.6 million
Packaging materials	<u>\$2.9 million</u>
Total	\$8.4 million

The potential cost savings for pallets, dimension lumber and packaging materials must be viewed as ultimate limits. These savings imply 100% recycling savings. While these savings may be obtainable for a short period of time, realistically replacement materials will be required over the long run to replace pallets and packaging material that are damaged beyond repair. DDSP conducted a study of commercial practices to understand what Georgia Pacific Corporation, International Paper Company and Stone Container Corporation did with solid waste and to determine what metrics to benchmark against. (Clemens, 1997, p. 68) Partnerships were established to bring the best practices to the government processes. Commercial wood recyclers were visited to observe operations. An analysis of commercial industry practices revealed:

1. Over \$5.5 billion per year in new pallet sales.
2. Over 600 million new pallets produced per year.
3. Over 65 million pallets received for recycling.
 - a. 15% of all pallets were sorted and reused.
 - b. 62% of all pallets were repaired and reused.
 - c. 14% of all pallets were cut down and 82% of the parts were reused.
 - d. Less than 10% of remaining waste was turned into mulch and fuel by a grinding and chopping process.
4. 1 Billion board feet of lumber is used to make pallets, of which 912 million board feet is reused. (Clemens, 1997, pp. 16-17)

A waiver to sell pallets was requested to avoid the requirement for the Defense Reutilization Management Office (DRMO) to sell excess government property. (Clemens, 1997) This process took six months and required numerous debates between the contracts and legal departments before the Depot Commander made a decision to do it.

The Grocery Manufacturers' Association pallets are "graded into good, repairable, or cut-down using the marketplace standards." (Clemens, 1997, p. 20) Pallets were manually sorted into different grades of quality. Government pallets are 48 inches wide and commercial pallets are 40 inches wide. New pallets cost about \$8.25 per pallet. The recycled pallets were sold for as high as \$4.51 per pallet. After less than six months \$350,000 in revenues from the sale of pallets had been achieved. (Clemens, 1997)

Employees at DDSP suggested that an analysis be made to determine if some pallets could be remanufactured. It was estimated that up to 16,000 pallets per month

could be rebuilt. Despite labor costs of \$30.00 per hour it was determined that pallets could be remanufactured for between \$5.56 and \$6.00 each. This could save about \$2.00 per pallet by using rebuilt pallets. The pallet rebuilding process is described below:

1. Pallets with more than one or two board repairs required are cut down from military to commercial length.
2. The stringers and deck boards removed during this process are reused for other repairs.
3. The waste pieces are separated by deck boards, top, bottom and stringers.
4. The reusable boards are then "bunked" or stacked by type.
5. The component parts are remanufactured into a recycled pallet and reused. (Clemens, 1997, pp. 22-26)

DDSP experimented with using other top board materials such as recycled plywood and is participating in the process to reengineer military pallets using recycled materials for new military and commercial applications. (Clemens, 1997)

All wood waste is delivered to the Reclamation Center for screening and separation. Wooden containers that were once discarded are repaired and put back into service. Many of these boxes cost about \$75 each. Dimension lumber is sorted by size and cut to size for custom orders. In the past only virgin timber was used for fabrication of skids and dunnage. According to Clemens, the new policy resulted in a 40-60% per month reduction in procurement of virgin timber -- cash which upset the virgin timber industry. Clemens estimated that over \$60,000 per year of board length lumber was being buried. Now the wood is denailed by hand. The finished products are put into inventory for use by the fabrication shops. Orders for wood are "faxed to the Reclamation Center and precut dimension recycled lumber is used to

fabricate the crate, skid, or dunnage” to meet custom orders. (Clemens, 1997, p. 36) Excess lumber scraps are organized by size and sold. All remaining wood waste is transported to a contractor where it is “ground and screened using a hammer mill. All fasteners and nails are removed by magnetic drums in the conveyor process, and are sold as scrap metal to a local recycler. The final product is 100% biodegradable landscape mulch.” (Clemens, 1997, pp. 39-43) The mulch is sold back to DDSP at a discount of \$60 per ton and used on the installation.

Reengineering of a 100% recycled content cardboard specification for shipping containers was the next DDSP initiative. Clemens estimated that 25 tons per week of cardboard costing \$3 million per year are used in packaging supplies. Previously old corrugated cardboard was sold to a local recycler who sold the material for about \$125 per ton in the east and \$200 per ton in the west. (Clemens, 1997, pp. 47-49) The new process sells the cardboard to a contractor who “uses the fiber to produce a recycled content shipping container.” (Clemens, 1997, pp. 50-52) The recycled containers are then sold back to DDSP and used for shipping.

One barrier that had to be overcome was a DOD specification that was 30 years old and designed, “just in case,” with high performance requirements. A Georgia Pacific Corporation 12x12x12 inch fiberboard box has a bursting strength of 200 pounds and costs 40 cents each. However, a DOD box that meets military specifications costs about \$1.40 each. One of the most expensive shipping containers is a tri-wall, which costs \$50.00 with a pallet; and DDSP processes 500 per day to customers. A fiberboard container costs between \$22.50 and \$25.00 without the pallet. Even adding a cost of \$8.00 for a new pallet, it is still cheaper to use fiberboard recycled containers. DLA headquarters authorized a waiver to the military specification and a six month test was performed. The results indicated that the recycled boxes met all customer requirements and performed satisfactorily. The FY 1995 audited savings were \$900,000. An agreement was made with Ft. Bragg, North

Carolina, to return containers to be used again. Now only after containers are no longer usable will they be disposed of to a cardboard recycler. The goal of DDSP is to eventually be able to reduce the Defense Business Operating Fund (DBOF) costs and provide better service at a reduced cost to its customers. (Clemens, 1997, pp. 55-60)

6. Reinvention of the Delivery of Medical Supplies

Lieutenant Colonel Richard Stone, USA, Medical Logistics Support in Europe, described the reinvention of the delivery of medical supplies in Europe. This effort involved three hospitals, clinics and 300 embassies serviced by this depot command. The Prime Vendor program for commercial supplies is available in the U.S., but not in Europe. Stone said a large amount of inventory was held in warehouses and each hospital would carry a large inventory due to past inability to receive medical supplies in a timely manner. The number of hospitals was reduced from 11 to 3 as part of the BRAC process. (Stone, 1997)

The goal was to reduce inventory in theater and order ship time. Stone described the old system as requiring 10 days, and the pharmacy had to order supplies from the medical supply account. Order were sent to the hospital and then the logistics command to be filled. Now orders are done electronically by hand held terminals or via computer. The process was reinvented to provide delivery within 24 hours by truck to clinics, hospitals and embassies. In many areas UPS does one half day delivery to the clinics. Qualcomm tracking of each commercial truck provides truck location and information on what supplies are onboard at all times. This is a commercial business practice that was adopted. Stone stated that inventory was reduced from \$12 million to \$7 million. The three Army hospitals reduced inventory from \$2 million to \$500,000 in April 1996. (Stone, 1997)

The comptrollers were not supportive of this consolidated commercial vendor service for medical supplies. They did not want direct ordering done, because they

feared uncontrolled spending by medical personnel. All of the comptrollers were brought together for a conference to show how the system would support their financial tracking requirements and make it easier to receive reports. Initially weekly reports were published, but this was changed to monthly reports.

Some of the metrics used to determine the level of success were:

1. A customer satisfaction survey was completed that measured the number of denials of orders. Currently 1% to 0.2% of requisitions are not filled.
2. Phone calls to solicit feedback from organizations were made. Additionally, semiannual meetings were held to provide opinion data of customer satisfaction.
3. Less time is spent by medical providers performing administrative functions and more time servicing patients. (Stone, 1997)

The Navy is using the system now in Naples, Italy and has reduced inventory by \$500,000. The USAF is not interested in changing its system. The future plans are to apply artificial intelligence to the system and anticipate medical supply demands. In Bosnia xrays are electronically transmitted back to hospitals where they are evaluated and a reading is sent back to Bosnia. This reduces the number of medical people required in Bosnia. (Stone, 1997)

7. Reinventing Food and Office Supplies Distribution in Korea

Colonel Redding Hobby, USA, Commander, 20th Area Support Group TAEGU, Korea, briefed the Reinvention Laboratories Conference on the reinvention of the distribution of food and office supplies in Korea. The Theater Distribution Management Center in Korea is responsible for distributing milk and office supplies to the 92 camps in Korea. According to Hobby, since 1953 powdered milk has been used in Korea. The main dairy was Government Owned and Contractor Operated

(GOCO) outside Seoul. In the 1990's the cheap labor in Korea became much more expensive. The 1997 contract proposal called for a cost of \$6.4 million to supply powdered milk to the military forces in Korea. This included a 9% wage increase and a 34% increase in infrastructure costs, which were not affordable to the Army. (Hobby, 1997)

Hobby said the invention of 60 day shelf life modern milk meant that the milk could be produced in the U.S. and shipped from California to Pusan, Korea, which is the 4th largest port in the world, in 14 days. Powdered milk has a 14 day shelf life. DPSC awarded a competitive bid contract for \$4.4 million to ship milk from California to Korea. This resulted in a \$2 million savings. The milk is sent by ship to Pusan, then distributed to five centers and then to individual facilities. Korean commercial carriers are used to deliver the milk to the centers. The individual commands pick up their required milk. The congestion on the roads is severe in Korea, because there is one major highway and one major railroad which runs north to south. A lot of air transportation is used to transport goods. (Hobby, 1997)

In order to receive approval for a new source of milk, Hobby had to involve the 8th Army Headquarters. It took 120 days to receive permission in writing. He made several briefings to senior leadership, contracting officers and lawyers. Within 30 days he had received verbal approval and inventory started moving from a decentralized system to a centralized system. (Hobby, 1997)

Once the program began to work for milk it was expanded to include office supplies. This allowed a combination of the daily or weekly milk run with office supplies. Hobby obtained waivers to the following Army instructions:

1. AR 710-2 Supply Rooms and Centers for individual units.
2. AR 600-10 AAFES general supply agreement to buy from the exchange system.
3. AR 210-7 Commercial solicitation. (Hobby, 1997)

One of the major obstacles to overcome was that the three star commander resisted the idea, but Hobby had the data to show the cost for the powdered milk was more than real milk. Additionally, the number of stock outs and cost of small office supplies were unacceptable. Local commanders resisted giving up control of their local store rooms. Management was skeptical and uncertain of the ability to guarantee delivery of milk and other office supplies to the camps. According to Hobby, senior leaders did not understand computers and how they could make logistics function better to support the troops.

The AR 710-2 requires a level of stock, but there was a 10-14% stock out of basic supplies like computer supplies and mop heads. Daily and weekly measurements of the results of the changes were made to provide documentation of success for the top leadership. The stock out rate was decreased to 4%. An example Hobby provided was that recently the commissary ran out of cottage cheese, but the mess halls did not due to the new distribution system. (Hobby, 1997)

The stock out problem is complicated. Hobby advised that you cannot go out on the economy and buy a Korean disk for the computer, because it is in a different language than the disks required for the U.S. computers. The number of items carried was reduced to about 1100. There were several names for the same items, such as computer paper, and there were 60 line items for milk. The number of people required to perform supply distribution was reduced from 62 to 38. The 24 people no longer required were reassigned to other areas. The quality and variety of office supplies available was increased. Customer service increased because a late order for an item could be added onto the truck bringing supplies very easily. (Hobby, 1997) Troops enjoyed the fresh milk vice the powdered version. Name brands in the mess hall improved morale.

Future plans include a management system that automates all supply ordering electronically and expands the centralization of supplies to ammunition and other

combat supplies. Hobby is researching methods to develop a true Theater Level Distribution System that coordinates the current stovepipes of land, port and sea transportation. (Hobby, 1997)

8. Recruit Direct Deposit

Debbie Ruiz, Deputy Quality Management, U.S. Marine Corps Recruit Depot (MCRD), San Diego, California, discussed the recruit direct deposit reinvention initiative. Ruiz described the old process involved issuing of coupon like paper tickets called "chits" to recruits to prevent money in the barracks and reduce the probability of theft. Recruits exchanged the different colored chits for goods and services and paper paychecks were issued to recruits. Inventory control was labor intensive and accounting for chits was a "nightmare." It required six full time people to process the chits from 20,000 recruits a year at each of the two recruit depots. Training to use the chit system required two and one half days. (Ruiz, 1997, p. 1)

In 1995, DOD issued a directive, "mandating the use of electronic funds transfer as the standard method for making payments to active duty and reserve personnel which included recruits." (Ruiz, 1997, p. 1) At the time the directive was given there was no automated way to enroll the 40,000 recruits and to perform this function manually would have been time consuming, expensive and prone to errors. The Commanding General, Marine Corps Recruit Depot, Western Recruiting Region, San Diego directed "the establishment of a Recruit Direct Deposit (RDD) Quality Management Board (QMB)." (Ruiz, 1997, p. 1) A multifunctional team of experts from the command was assembled to implement the DOD directive and "aggressively challenge the status quo, cut red tape, reduce costs, and insure the highest levels of customer service." (Ruiz, 1997, p. 1) The RDD was accomplished in four phases:

Phase 1: Make improvements to local policies and procedures.

Phase 2: Request modification of higher headquarters regulations.

Phase 3: Design and coordinate pay system changes.

Phase 4: Test and implement the new system. (Ruiz, 1997, p. 1)

The first phase built upon the previous work and included baselining the current system and exploring the possibilities of teaming with the local credit union to use an Automatic Teller Machine (ATM) and Electronic Point of Sale (EPOS) equipment to perform and track financial transactions. A waiver request to partner with a financial institution was achieved in phase two. Additionally, Ruiz said that a waiver to provide \$130 in advance pay was received from the Secretary of Navy Management Office. During phase 3, functional system requirements were developed in coordination with DFAS, Kansas City. Ruiz described the challenge of partnering with only one financial institution, the Marine Corps West Federal Credit Union (MCWFCU). She mentioned that the recruits do have a choice of financial institutions, but only about 3 out of 10,000 have not chosen MCWFCU. DFAS made a capital investment of \$260,000 to procure electronic purchase point equipment and provide training to personnel. In May and June 1996, the Marines Corps Total Force System (MCTFS) was modified to support electronic automated direct deposit enrollments by recruits. (Ruiz, 1997, p. 1)

The system was tested during phase 4. The RDD is not mandatory, but it did meet the need for the command to have a "cashless training environment." (Ruiz, 1997, p. 1) Participating recruits are automatically assigned a DD account number by the MCTFS pay system, which generates an electronic file and forwards it to MCWFCU via the Federal Reserve Automated Clearing House (ACH) system. A checking account is created by MCWFCU for each recruit and ATM cards are made. Recruits use "their personal ATM card and point of sale equipment installed throughout the Depot" to purchase haircuts, personal items, dry cleaning, and airline tickets. (Ruiz, 1997, p. 1) Vendors are paid by Electronic Fund Transfer (EFT), and

recruit pay checks are sent by EFT to their bank account. Ruiz commented that vendors are paid faster with the EFT system than they were under the manual process. (Ruiz, 1997)

On the first day of recruit training the financial information is collected and entered one time into the Armed Forces Financial Network (AFFN). The recruits receive their ATM cards, and training about financial management and budgeting, the different types of financial accounts, and how to manage their financial accounts and money during four one hour sessions vice the old two and one half days. The two days not needed for training in the chit system were used for other required training. (Ruiz, 1997)

Ruiz described numerous advantages and savings because of the EFT system. One of these is that the use of ATM cards eliminated the need for cash during the twelve week training cycle and streamlined the Morale, Welfare and Recreation (MWR) department business operations by stopping the use of chits. The Scheduled Airline Ticket Office (SATO) reduced the time required to process a company of 600 recruits travel requirements by one day through the use of ATM cards. Changing from a cumbersome manual process of several steps to an electronic debit system reduced the costs and time to perform these tasks. MWR and the finance office eliminated six positions. Usage of the ATM card avoided the cost of using travelers checks by \$100,000 per year. (Ruiz, 1997, p. 2)

The electronic payment system reduced the time required to perform payroll and eliminated paper pay accounts. Annual savings of \$1.7 million were achieved by no longer producing and mailing over 500,000 pay checks. (Ruiz, 1997, p. 2) The need to reconcile lost or stolen checks was eliminated for individual Marines, the USMC, and the Treasury Department.

Both the USN and the U.S. Coast Guard are studying the success of the automated process for paying recruits and charging purchases against their automated

accounts for incorporation into their recruit training systems. MCRD, San Diego is in the process of automating the retail clothing purchase process, improving audit techniques, and implementing a travel customer service selection system using EFT. (Ruiz, 1997, p. 2)

9. The Corporate University

Dr. Dave Whipple, Associate Provost for Innovation, U.S. Naval Postgraduate School (NPS), Monterey, California, discussed the reinvention of the education and training program. NPS was the first Navy Reinvention Laboratory. It was established the day the NPR was published on September 7, 1993. The motto of NPS is taken from a conference held by Mr. Tom Peters in 1994. NPS followed his advice to the attendees to go home and have their business cards read "Raging Inexorable Thunder Lizard Evangelists." Reinvention activities have involved creating a Continuing Education Center, partnering with the Defense Printing Service, designing a Financial Management Information System, decentralizing the Supply Department, and reengineering temporary duty travel. Partnerships with DOD and private industry have been expanded and several faculty members perform consulting and research for external customers. The faculty are performing applied research to solve real problems and students are used as assets to assist in this process through classroom research and thesis projects. (Whipple, 1997)

The school has optimized graduate education to meet customers needs. Over 1500 resident students are taught in the traditional classroom setting. Additional courses have been established to provide education in areas customers desire such as Joint Military Education, national security and engineering areas. More than 10,000 non resident students are taught through video teleconferencing and circuit riding professors. Off campus education is conducted at sites such as the U.S. Naval Academy in leadership development. A hybrid system is used to combine resident and non resident students in the same class. Information technology has enabled an

increase in distance learning and the usage of the Internet. This is needed to reach concentrated Navy areas such as Norfolk, which contains 30% of the Navy's assets. A new program for NSA was created to teach civilian leadership in emerging democracies by the Institute for Defense Education and Analysis (IDEA). Health care delivery systems are taught in 23 countries to executive managers. Over \$9 million in Defense Acquisition Workforce Improvement Act (DAWIA) classes are taught on and off site. A public-private joint venture to rent class rooms at commercial rates for continuing education programs is being evaluated. (Whipple, 1997)

A partnership with DPS to provide office space in a prime campus location is designed to enable DPS to provide a standard of service comparable to the commercial sector. This will provide more reimbursable business for DPS and higher quality and reduced cycle time and costs for NPS.

A local Financial Management Information System is being developed to integrate the various activities and interface with standard DOD and Navy finance systems electronically. This will be expanded to include travel functions.

Internally, NPS has reinvented the travel system by streamlining the number of process steps from 41 to 15. Focus teams and groups have simplified the process and a commercial travel system Travel Manager Plus version 4.1F is being tested. The supply system was decentralized and supply personnel were physically collocated with the departments they serve. This has resulted in greater customer satisfaction. Usage of the IMPAC card has reduced the previous reliance upon the traditional cumbersome procurement process, because 90% of the purchases are below the \$2500 threshold. The number of fire department crews were reduced from 4 to 3 to incorporate best commercial practices. Support staff people have been involved in the reinvention process and NPS is committed to finding people, whose positions are eliminated, another job in a different part of the command or another DOD

organization. This has resulted in successfully meeting manning end strength mostly by an 8-9% annual attrition rate. (Whipple, 1997)

This chapter has reviewed actions taken by the Clinton Administration to continue reinvention of the federal government. An overview of the progress of NPR Reinvention Laboratories was presented. Analysis of the number, size, type and level of progress of DOD Reinvention Laboratories revealed the wide variety of activity from various organizations. Specific examples of reinvention in DOD indicate the types of success possible through reinvention. The next chapter will present an analysis of the key factors that determined the level of success at DOD Reinvention Laboratories.

IV. ANALYSIS OF RESULTS

This chapter presents an analysis of differences between more successful and less successful DOD Reinvention Laboratories. Specific examples of successful reinvention were described in Chapter III. Information on difficulties in implementing reinvention at various laboratories was acquired at the Reinvention Laboratories Symposium from the formal presentations by speakers and laboratory representatives who provided opinion and facts on reinvention efforts during the conference breakout sessions.

A. KEY FACTORS THAT INFLUENCE LEVEL OF REINVENTION SUCCESS

Incorporation of entrepreneurial ideas into government and, specifically, into the DOD Reinvention Laboratories is not based upon a new theory of management. It is based upon the fundamental success of the revolution in the business world and sound leadership principles. Successful reinvention efforts followed the TQM philosophy of Plan-Do-Act-Check. The NPR reports described how the best business practices could be adopted by government through incorporation of restructuring, reengineering, reinventing, realigning, and rethinking. (Jones and Thompson, 1996, p. 1) The presentations provided by the speakers at the Reinvention Laboratories Symposium demonstrated that reinventing government is based upon good management practices. The following key leadership practices were identified:

1. Acquiring the commitment of top leadership.
2. Defining a meaningful and clear vision, and a plan of action to accomplish the reinvention goals of the organization.
3. Creating a sense of urgency to accomplish the goals of reinvention.

4. Communicating the vision, goals, and plan of action to everyone in the organization.
5. Identifying obstacles to reinvention and persistently finding a way to overcome them through entrepreneurial thinking, planning, and risk taking action.
6. Measuring performance and adjusting the process to incorporate corrections.
7. Celebrating success and recognizing people for their efforts.
8. Institutionalizing the process of continuous improvement and permanent reinvention.

1. **Acquiring the Commitment of Top Leadership**

- a. *Committed Leadership*

Jeffrey Goldstein, from Vice President Gore's NPR office, described the most successful Reinvention Laboratories as those which were able to acquire top management support to accomplish the reinvention goals. (Goldstein, 1997) Organizations successful in accomplishing reinvention goals had a common characteristic of senior management support. A commitment by top management to serve as a catalyst for change was present in the DOD travel reengineering, training support reinvention, Prime Vendor delivery of supplies, Air Force Action Workout program, closed loop wood recycling, reinventing food and office supplies distribution in Korea, recruit direct deposit program, and creation of a corporate university at NPS. The unequivocal support of top management was present throughout the reinvention process at these laboratories.

Making reinvention a personal goal of the senior leaders is the fundamental building block to successfully accomplishing reinvention goals. (O'Connor, 1997) Many requests made of commanders and quality management may not provide a return on investment during the current commander's tour. Many commanders see

themselves as Corporate Executive Officers of their organizations. (O'Connor, 1997) These leaders study the latest business management philosophies and strategies. Accomplishing reinvention goals is not free. It costs money and takes people away from other core day to day business to focus on improving performance of the organization in a certain area. Without the commitment of top leadership, the resources required to accomplish reinvention will not be provided.

In some cases, the source of the motivation to change came from the senior commander, as it did in the Action Workout initiative. The rising cost of providing milk and office supplies enabled Colonel Hobby to convince the senior general to respond to fiscal limitations and change the way business had been done in Korea for over 43 years. (Hobby, 1997) The Prime Vendor program was driven by a GAO report recommending commercializing the supply of food to the military. The recycling initiatives at DDSP were a response to mandatory compliance with environmental laws.

The support of the "boss" was the source of power that enabled the people actually implementing the reinvention ideas to overcome organizational resistance to change. (Hobby, 1997) Reinvention teams kept senior management involved by providing periodic status updates on progress towards reinvention. This kept organization leadership focused upon achieving reinvention goals. The most successful laboratories were able to give a sense of ownership of the reinvention goals to the commanding officer or civilian leader of the organization.

b. Uncommitted Leadership

The U.S. Army Forces Command (FORSCOM), Fort McPherson, Georgia, was designated a Reinvention Laboratory in December 1994. (DOD, 1996, p. 14) A Strategic Systems Division was created and reported directly to the FORSCOM Chief of Staff. (FORSCOM, 1997, p. 5) Initially, the Strategic Systems Division had the support of senior leadership and received the resources necessary to

staff three branches as the FORSCOM Reinvention Center. Numerous waivers for the different bases were successfully processed and many reinvention initiatives were implemented. The Strategic Systems Division served as the lead of the FORSCOM Reinvention Task Force and participated in command strategic planning at the highest levels to incorporate reinvention ideas into command objectives. (FORSCOM, 1997, pp. 5-8)

However, personnel changes and organizational changes in priorities significantly reduced the influence of the Strategic Systems Division. (Hagemann, 1997) The initial leader of the Strategic Systems Division left the command. The new leader is the former manager of the command Inspector General office. (Balasabas, 1997) An additional manager was brought into the organization who had spent the last two and a half years working with the Olympic games committee. (Balasabas, 1997) This person has not been involved with any reinvention initiatives. The Strategic Systems Division no longer reports directly to the Chief of Staff. (Hagemann, 1997) The entire organization is in a state of change and realignment. Additionally, FORSCOM is adopting a program based upon the Malcom Baldrige Award Criteria. (FORSCOM, 1997, p. 9) This new initiative is called Centurion and the resources are being allocated to it. The leader of the Centurion team is also the manager of the Strategic Systems Division. The failure to bring in a leader dedicated to continuing the Reinvention Task Force initiatives and the removal of direct communication to senior leadership are examples of what happens when senior management emphasis on reinvention declines.

The representatives from FORSCOM expressed concern that they no are able to get other command members to discuss reinvention issues. Interim personnel are sent to meetings that were once attended by experienced decision makers from the different staff elements. The Strategic Systems Division representatives are frustrated, because they no longer receive top support and quality

participation in reinvention initiatives. The Reinvention Task Force and reinvention process was described as being "dead." Several representatives from the various bases expressed concern about inability to receive information about reinvention or support from the headquarters organization. (Hagemann, 1977)

The absence of committed top leadership has resulted in a stalled process at FORSCOM. There were several other organizations that experienced a great deal of initial command support to become designated a Reinvention Laboratory. However, this initial support had decreased and the reinvention ideas were left to be implemented by middle management and workers who did not have the power to accomplish the mission. Without the unwavering support of top management the reinvention objectives did not become reality in many organizations. The success stories demonstrated the possible outcome if management is committed to achieving a goal. To the contrary, the absence of a burning desire to improve an organization through reinvention resulted in repeated failures and frustrated employees responsible for the accomplishment of reinvention goals. Without the commitment of senior leaders, the resources and persistence to overcome the natural bureaucratic and cultural barriers to change are not provided.

2. Defining a Meaningful and Clear Vision, and a Plan of Action to Accomplish the Reinvention Goals of the Organization

a. Proper Planning

The second major characteristic of the many successful reinvention laboratories was the ability of the reinvention team members to create a clear vision and implementation plan for the organization. Following senior management acceptance of a vision, specific goals and a plan of action were created. The USMC recruit direct deposit initiative had a clear vision of implementing electronic funds transfer as the standard way of making payments to active duty personnel. This was a mandatory DOD directed task and became a clear goal to accomplish. A quality management board for recruit direct deposit was established. This team included a

cross-functional group of staff from across the Marine Corps Recruit Depot to ensure that all of the stakeholders contributed to the process improvement plan. The plan of action followed four logical phases that successfully implemented the electronic payment system.

The reinvention team members at DDSF were able to create a vision for the wood and cardboard recycling programs. However, in 1993 DDSF left out the planning part of the TQM process of Plan-Do-Study-Act. Additional work was required to correct deficiencies and make the recycling program work. (Clemens, 1997)

A goal in establishing the reinvention laboratory environment was to create an atmosphere that promoted innovation and accepted failure. The philosophy was that lessons learned from the failures could be applied to the process and eventually, an improved process developed. (Goldstein, 1997) By analyzing ideas that did not work, team members were able to adjust the plan of action and make the corrections necessary to achieve the organization goals. Eventually, representatives from management, organized labor, and affected organizations were all involved in the planning process. (Clemens, 1997) The goal of this entire evolution was to achieve "buy-in" from the different stakeholders. This enabled the organization to move forward with one set of objectives and a common plan to achieve results. This helped to prevent division and accelerate the process of change to implement reinvention ideas.

b. Ad Hoc Planning

The process for submission and granting a waiver to existing rules was not well understood by many of the participants at the Reinvention Laboratories Symposium. There was no clear vision or plan of action on how to obtain a waiver. (Foster, 1997) Each service or agency came up with its own procedures that did not appear to be well understood or communicated. (Dunklin, 1997) Eleanor Spector,

Director of Defense Procurement in the Office of the Under Secretary of Defense for Acquisition Processes and Policies, authored a memorandum on December 9, 1993 that clearly authorized contracting activities to deviate from published rules and regulations in certain cases. (Spector, 1993, p. 1) However, the actual process to receive a waiver on many rules was not well defined.

At the DON breakout session several representatives expressed concern about the absence of clear guidelines to follow on how to request a waiver from a regulation. They asked for a written instruction to specify how to obtain a waiver. Traditionally, written instructions are used to standardize how tasks are to be accomplished. CDR Dunklin, the DON representative at the conference, advised the group that DON had a rough draft instruction. However, this instruction would not be published until a DOD instruction was issued. Dunklin said that DON had issued some previous guidance in writing, and DOD had questioned the validity of these previous memoranda. Consequently, DON was risk averse and the proposed instruction would not be published until a DOD instruction was first promulgated. (Dunklin, 1997) There was no overall DOD plan concerning the waiver request process. Rachel Foster, who organized the conference, enlightened the group by stating that recently she became more involved in the waiver process. She stated that there were no current plans to publish a DOD waiver process instruction. (Foster, 1997) However, she said that her office would serve as the single point of contact for waivers in DOD. Furthermore, some "clean and simple" guidelines might be published via electronic mail or put on the Internet. (Foster, 1997) The problem with an instruction from her point of view was the distribution process.

The bottom line to the working level participants at the conference was that when they had to request a waiver and they did not know how to do it. There was no single point of contact identified until recently. There was no defined or managed DOD waiver request process. The predominant opinion of the majority of

representatives was that there is no coherent plan to that follow to successfully process a waiver request. This resulted in confusion, frustration, and lack of progress.

John J. Hamre, DOD Comptroller, within the Office of the Under Secretary of Defense, Comptroller signed a memorandum dated April 2, 1997 that revised the DOD waiver policy to, "make the process more responsive to the needs of the reinvention centers and laboratories, and candidates for performance based organizations." (Hamre, 1997, p. 1) The changes included designating the Office of Performance Improvement and Management Reengineering as the "central coordinating point for all waiver requests." Waiver requests agreed to by the Office of the Secretary of Defense (OSD) Staff Principal and DOD General Counsel will go into effect immediately, and waiver requests that have no agreement will be personally reviewed and forwarded as appropriate by Dr. Hamre. (Hamre, 1997, p. 1) The memorandum stated that the review of a waiver request within thirty days was the new DOD goal. Specific guidelines for submitting waivers were published as part of the memorandum. This recent action was designed to improve the processing of waiver requests.

3. Creating a Sense of Urgency to Accomplish the Goals of Reinvention

a. Command Priority

An understanding of the importance of limited time to accomplish reinvention was prevalent in the successful reinvention efforts. The support of the "boss" created a sense of urgency for the reinvention goals of organizations. Deadlines were established and teams were directed to achieve the desired goals by the given deadlines. The Prime Vendor program to utilize commercial food suppliers for base dining facilities was given a high priority by the Secretary of Defense. This was done in response to GAO and Congressional pressure. Congress continued to followup on this program and to accelerate the expansion of the program to the continental U.S.

Chuck Sommer, from the Army Management Engineering Center (AMEC), discussed how the college was changed from a direct funded organization to a fee for service school. This was a challenge for a traditional, hierarchial and stove-pipe organization. However, by adopting entrepreneurial management and following TQM procedures a transition was made. (Sommer, 1997) The desire to survive in a downsizing environment is a strong motivator, as evidenced by the entire Base Realignment and Closure (BRAC) process.

The ability to unite an organization against a common enemy has been a successful management technique for years. The past few years have repeatedly demonstrated how the threat of consolidation due to declining budgets and personnel reductions have united people to achieve a common goal of saving the organization and saving jobs. A factor in this process has been the ability of an organization to adapt and prove they are a value-added part of any process. Reinvention is a tool that allows organizations to demonstrate cost savings and improved performance to justify their existence.

b. One of Many Programs

Without a sense of urgency, many ideas for improvement stagnate and never develop into actual process improvements. (O'Connor, 1997) The change in priority for the reinvention initiatives at FORSCOM shows what happens to a major initiative when it loses the sense of urgency. The reinvention ideas became just another one of the many command priorities competing for resources.

At the Marine Corps Air Ground Combat Center, Twenty Nine Palms, California, the commanding officer changed about every two years. One of the representatives stated that there had been four Commanding Generals in five years. There was no continuity between priorities. Each General had a different philosophy and set of goals than the previous commander. This inconsistency and constant changing of the priorities slowed down reinvention progress.

4. Communicating the Vision, Goals, and Plan of Action to Everyone in the Organization

a. Marketing Reinvention

An important aspect of any new idea is the planning and execution of “the roll out of the strategic plan” by the commanding officer. (O’Connor, 1997) This involves explaining why the organization needs to change and how it is going to be accomplished. This requires taking the time to brief people about the plan of action and how it affects them. Many times this requires the senior leader to repeat the message many times to convince people that reinvention is a serious priority for the command. The successful laboratories demonstrated a pattern of repeated communication of the vision, goals, and progress towards achieving the objectives to the entire organization.

Dr. David Whipple, of the Naval Postgraduate School (NPS), has marketed the corporate university concept to the Navy and DOD and has gained new partners for NPS. Another example of repeated emphasis on a reinvention initiative was done by DLA. Admiral Leonard Vincent, the Director of Defense Contract Management Command, (DCMC), personally briefed every DCMC Commanding Officer about the importance of the Process Orientated Contract Administration Services (PROCAS) program. (Pope, 1997) Furthermore, a video tape was made and sent to every organization and shown to employees to communicate the vision, need, and strategic plan for implementing PROCAS. Bureaucratic institutions are reluctant to make changes to the processes and procedures for accomplishing tasks. (Osborne, 1992, p. 2) People are reluctant to make changes to the way they work and it requires persistent “selling” of a new approach to convince them to change.

b. Burying Reinvention

According to Commander Peter Dunklin, one of the requirements to become a Reinvention Laboratory was to have access to the Internet. He stated that he did not have a good point of contact for every laboratory. He requested that each

laboratory create a home page on the Internet and update this site at least quarterly. Additionally, laboratories were requested to submit quarterly reports to his office. He has not had any reports in fourteen months that list the processes being improved or the savings accomplished. Some representatives advised Dunklin, that they did not have access to the Internet. However, their senior leadership had this access. They were unaware of any desire from the Navy to have them construct and update a home page and publish reports. Based upon the discussions at the breakout session, there did not appear to be a high priority given to communicating or evaluating reinvention progress in the past. Reinvention was buried in some organizations and resources were not allocated to effectively accomplish any specific objectives. (Dunklin, 1997)

There appears to be a distinction between being designated a Reinvention Laboratory and actively accomplishing significant progress towards reinvention. Significant progress was achieved by 41% of the sites. An in-progress rating was given to 39% of the sites. Many of these organizations have buried the reinvention effort. Management did not demonstrate a commitment to implementing the original objectives that first resulted in designation as a Reinvention Laboratory. For example, Commander Dunklin described the CNO decision to designate Charleston Naval Base as a Reinvention Laboratory on a field trip. However, Dunklin said there have never been any reinvention activities performed at Charleston Naval Base, to the best of his knowledge. (Dunklin, 1997)

The absence of an established communication network that enables people to find out what other laboratories have accomplished was further evidence of the overall lack of progress of DOD Reinvention Laboratories. The Reinvention Laboratories Conference was the first attempt to bring different people and units of DOD together to share ideas, successes and lessons learned from successes and failures.

5. Identifying Obstacles to Reinvention and Persistently Finding a Way to Overcome Them Through Entrepreneurial Thinking, Planning, and Risk Taking Actions

a. *Thinking Outside the Box*

The organizations that demonstrated persistence and creativity succeed in accomplishing improvements to the organization business processes. Frequently, alternate paths to accomplish goals were found by the people leading the reinvention effort. Many of the original ideas did not mature into success. Successful organizations were able to use realistic planning to identify the obstacles to reinvention and to overcome the road-blocks to achieving reinvention goals. DDSP described this as a process of aiming high and using a "Breakthrough Strategy" to hurdle barriers to success. Some of these obstacles included organization policies, DOD regulations and rules, Presidential policies and guidelines, and statutory law. Waivers were one tool used to receive permission to not follow formal regulations and rules. However, laws could not be waived. Clemens described the process of "thinking outside the box," and finally after six months of bureaucratic indecision the Depot Commander made a decision to sell the refurbished pallets. This was a personal risk to the commander. However, without this action the \$350,000 in revenues would not have been earned. (Clemens, 1997)

The executive orders issued and the laws passed provided new procedures and guidance concerning many NPR objectives. Acquisition reform was a key element of the ability to change the way supplies were acquired. This was instrumental in improving the way DOD supports troops by incorporating electronic commerce at DPSC. These changes also enabled the electronic GSA Advantage, on line shopping service for supplies and services.

Ensuring that the planning process established ownership of the reinvention goals by the senior leaders was critical to support for innovative thinking. (O'Connor, 1997) O'Connor said that if the reinvention team was in charge instead

of the commander, then the team might be a scapegoat for any failures. Additionally, employees would resent the team and find ways to make life difficult later for the team members. (O'Connor, 1997) The cultural resistance to change in most organizations is high and is not easily reduced without consistent pressure to change. The change to digital uniform photos was an example of the strong cultural resistance. Harris was unable to determine exactly why the Army had to have a 4x10 inch photograph. He consistently heard the familiar bureaucratic response of "that is what the regulation requires," and, "that is the way it has always been done." (Harris, 1997) However, by thinking outside the box and actually showing the Army Chief of Staff what a digital picture would look like, a paradigm shift was accomplished. Frequently, there is no substitute for persistence and a concrete example of a better alternative.

b. Bureaucratic Answers

DPSC was unable to receive any support from the four services to change their food ordering processes. This is a classic example of a "bureaucratic" answer. The Services wanted the convenience and cost savings from the new electronic system, but they did not want to change the way they did business. This resulted in additional costs to create an electronic interface for each separate Service food ordering system. Cost savings were gained by reduced storage space, fewer people, and a lower cost of food products. However, these are short-term gains compared to the advantages of one system to feed all of the military. This type of corporate vision was not demonstrated by DOD.

The inability to accelerate the waiver process demonstrates the reality of moving paperwork through a bureaucratic system. Foster spoke of the philosophy of the waiver process. She said the Reinvention Laboratories should come up with ideas and then the regulators should have to defend why they deny the waiver. (Foster, 1997) However, the predominant viewpoint of the participants was that they

were responsible for convincing the regulators beyond a shadow of a doubt that the waiver was a good idea. This process was a slow and difficult one to complete successfully.

One of the reasons that some of the Reinvention Laboratories have demonstrated limited accomplishments is because of the bureaucratic response to initiatives at various levels of command. Without a driving force to overcome these objections, such as Hobby with the milk and supplies distribution in Korea, change was not accomplished.

6. Measuring Performance and Adjusting the Process to Incorporate Corrections

a. World Class Bench Marking

The Reinvention Laboratories that established metrics and measured performance to evaluate progress towards goals were able to document accomplishments and quantify financial savings. An organization must first establish a baseline of where they are in terms of performance and culture prior to comparing performance against an industry standard. (O'Connor, 1997) The travel reengineering laboratory benchmarked DOD performance against the best commercial practices. DDSP sought out "World Class" providers and established partnerships with them. (Clemens, 1997) The procedures were then changed and performance towards reducing costs, cycle time, and customer service measured. The Prime Vendor program documented reduced service charges, inventory levels, and warehouse space. The Action Workout Team used real data to document how process changes decreased the time and cost to perform a function. The wood and cardboard recycling program established by DDSP determined actual costs and then documented savings. This enabled DDSP to analyze cost savings and question whether sorting wood by government employees paid at \$30.00 per hour was a core business, especially when local civilian labor could be hired for \$7.50 per hour to sort wood and perform other

tasks at a lower cost. (Clemens, 1997) This analysis is not possible without measuring performance and analyzing associated costs.

b. *Undocumented Improvements*

Many of the representatives from the Reinvention Laboratories spoke of new initiatives and ideas, but they had not substantiated savings. The FORSCOM training support reinvention has improved the quality of customer service, but the financial analysis of cost savings has not been performed to the level of other laboratories. The corporate university ideas of NPS have the potential to save travel and moving expenses, and lost time away from a primary military occupation and still provide graduate education. However, the financial analysis of these cost savings was not presented at the symposium because cost savings have not resulted yet.

The *Reinventing the Department of Defense September 1996 and Defense Performance Review Reinvention Laboratory Summary* describe numerous "success stories" and reinvention efforts that claim to be performing business in a more efficient and effective manner. Tasks that have been performed are listed. However, many of these examples have no metrics or quantified data to substantiate the performance improvement claims. Many of the success stories presented at the Reinvention Laboratories Symposium were substantiated by financial data to support the claim of improved performance. Without these data it is difficult to conclude the amount of real savings achieved by the reinvention laboratories. There is a wide degree of variance in the amount and quality of the metrics used to measure performance and this is an area that the Reinvention Laboratories need to improve upon. (Foster, 1997)

7. Celebrating Success and Recognizing People for Their Efforts

a. *Public Recognition*

One of the reasons Reinvention Laboratories were created was to establish an atmosphere that empowered people and publicly rewarded them for

improving their organization. An NPR goal is to involve the people who really know the systems including the strengths and deficiencies, early in the reinvention process. President Clinton stated that these are the people who have the great ideas to improve the processes. (Gore, 1993, p. 1) Historically, most new ideas and inventions have come from a trial and error approach. This process allows failure to occur to learn from mistakes. Weaknesses are identified and corrections are made to the processes to improve performance.

The Hammer Award is an example of the type of positive recognition given to organizations. A committed top leadership in an organization celebrates success and recognizes people for their efforts. (Goldstein, 1997) Different commands recognize employees through different programs such as the "Bravo Zulu" program used by the Atlanta Defense Contract Management Area Office, DLA. (Manley, 1995) The Bravo Zulu program enabled any person to recognize any other person or team of individuals in writing. Top leadership recognized the superior performance of the Action Workout team and this served as a motivator to inspire greater performance. (Griffin, 1997)

b. Private Condolences

The opposite of celebrating success is the quiet death of new ideas, because no one in senior management supports the initiative. Several of the breakout sessions described scenarios that involved organizations where verbal commitments to reinvention and written command goals were given. Unfortunately, this was all that was accomplished. This was also evident in the status reports provided in the literature about DOD Reinvention Laboratories. In the words of one anonymous participant, the senior DOD leadership is trying to appear to be highly involved with the NPR at the least possible organizational effort.

In the breakout sessions, several representatives expressed the opinion that DOD senior leadership was not committed to the reinventing government effort.

Part of the reason for this opinion was the fact that DOD is in a constantly changing environment with many programs competing for scarce resources. Some organizations were much more committed than others. DLA is a very active committed. Other agencies and Services have a wider spectrum of commitment to improving performance. A limited attempt to implement reinvention will not produce significant improvements in efficiency in any organization. People at the breakout sessions expressed frustration about the speed of reinvention and the lack of recognition for the efforts by many people to improve their commands. People spoke of meetings, plans, and metrics, but no significant accomplishments.

8. Institutionalizing the Process of Continuous Improvement and Permanent Reinvention

a. Command Legacy

Commanders like to leave a legacy, and if they are near retirement they may become even more interested in private industry practices. (O'Connor, 1997) Goldstein described the most successful Reinvention Laboratories as those that continued on the path of change and did not declare victory and quit after reinventing one process. (Goldstein, 1997) Colonel Hobby in Korea followed this process when the reinvention idea was expanded from just milk to office supplies. Future plans include creating a state of the art theater-level distribution system to coordinate the current stove pipes of land, port and sea transportation to better support the combat forces. (Hobby, 1997) DDSP expanded from wood recycling to cardboard recycling. Currently, DDSP is evaluating the possibility of expanding this effort to partner with the major FORSCOM bases. The goal is to lower operating costs to reduce the amount of money spent on wood pallets and cardboard shipping containers. (Clemens, 1997) The Action Workout program is expanding to visit every organization in the command on a yearly basis.

To institutionalize continuous improvement it must be integrated into the vision, mission, goals, plans, data measurement, and corrective action processes

of an organization. This is done through integrating the strategic plan into the existing cycles, processes and decision systems of a command. A basic foundation is the communication link between the commanding officer, staff, and organization. This can be accomplished through private meetings, electronic mail, all-employee meetings, staff meetings, brown bag lunches with the senior leaders, and speeches by the commander to emphasize the importance of reinvention and quality management. (O'Connor, 1997)

b. Popular "Top Forty" Song

A lesson learned from studying the implementation of TQM principles at the Naval Publications and Forms Center in Philadelphia was:

Mid-level managers were used to seeing new productivity initiatives emerge on the scene like new songs on the hit charts every season. They would reach great popularity, shine brightly for a time, then quickly fade unnoticed by those too jaded to remember the lyrics or the melody. (Whitten, 1989, p. 276)

Management will focus on promoting and protecting the core values of an organization. If reinvention does not become a part of the daily activities of a command, then it will not survive the initial period of excitement and enthusiasm.

Many of the Reinvention Laboratories were focused upon solving the immediate issues facing the organization. There was not a great deal of information about long range planning or the next step in the evolution of reinvention. The successful organizations had future plans. However, the less successful laboratories did not provide many indications of future plans for reinvention. This is not surprising. Organizations that were still struggling to implement basic changes or to receive waivers are not able to see beyond the crisis of the moment.

B. CONCLUSIONS

The Reinvention Laboratories Symposium is a first attempt to prevent the DOD reinvention initiative from fading from the charts like a fallen top-forty tune. The Symposium provided a forum for exchange of ideas and knowledge between Laboratory representatives. The corporate DOD reinvention vision and strategy, along with the logistics, contracts, acquisition, human resources, and financial objectives were presented to hundreds of representatives. A feedback questionnaire was provided to solicit recommendations for future activities by the Office of the Undersecretary of Defense, Comptroller. If reinvention is to remain an active issue in DOD, steps to increase coordination and communication are necessary to prevent people from believing that the entrepreneurial government initiatives are just the latest in a long line of management fads.

The essential message of this chapter is that reinvention requires good leadership and management philosophies. A number of key factors ensure reinvention success. These are not new ideas; they involve implementation of sound business practices. The next chapter will discuss the conclusions and recommendations drawn in answering the original research questions.

V. CONCLUSIONS

A. INTRODUCTION

The purpose of this thesis is to examine the accomplishments of DOD Reinvention Laboratories and the impediments the laboratories have faced in attempting to improve DOD business practices. Successful and less than successful initiatives have been discussed. This chapter presents answers to the primary and secondary research questions based upon the information developed in the thesis research. Additionally, recommendations for further research on DOD Reinvention Laboratories is provided.

B. PRIMARY RESEARCH QUESTION

The primary research question is: To what extent have DOD sponsored Reinvention Laboratories been successful in increasing their efficiency and effectiveness?

DOD Reinvention Laboratories have achieved limited success to date in increasing their efficiency and effectiveness through incorporation of the entrepreneurial ideas of restructuring, reengineering, reinventing, realigning, and rethinking.

The progress of 88 Reinvention Laboratories was evaluated. Significant progress was deemed to have been achieved by 41% of the Laboratories. Twenty percent of the Reinvention Laboratories achieved some level of success, and 39% of the Laboratories remained in the initial phases of reinvention. The most successful Laboratories were able to make measurable reductions in the cost of accomplishing their mission and verifiable improvements in the effectiveness of their performance. The eight examples provided in Chapter III from the Reinvention Laboratories Symposium represent some of the most significant achievements by Reinvention Laboratories.

The highest percentage of significant progress was achieved by DLA organizations. The next largest percentage was achieved by USA commands. The greatest achievements were accomplished in the logistics and administrative support areas.

C. SECONDARY RESEARCH QUESTIONS

1. Assessing the Progress of Reinvention Laboratories

Analysis of the financial savings achieved and improvement in mission performance provides a basis to evaluate the progress of Reinvention Laboratories. Accurate and verifiable data are required to substantiate any claimed savings or improvements by Laboratories. The most successful Laboratories baselined their current performance, established metrics, and measured process improvements to provide quantitative data for analysis. The least successful Laboratories provided ideas for cost savings and in some cases actually tried to improve performance, but provided virtually no data to document process improvements.

2. Identified and Achieved Financial Savings

The 1993 NPR report identified 12 DOD reinvention goals and tied them to a projected savings of over \$2 trillion from 1994-1999. (Gore, 1993, pp. 136-137) However, the NPR reports do not provide a detailed substantiation of how this amount of savings is to be achieved. The largest financial savings to date, about \$16 billion, have come from the reduction of 131,000 civilian and 223,400 military personnel from FY 1993 to FY 1995. (Gore, 1996, p. 80) This reduction in force is attributed largely to the end of the Cold War. However, the Clinton Administration's NPR and congressional restructuring initiatives have accelerated this process and increased the size of the reductions.

There are no cumulative financial savings figures available for all of the DOD Reinvention Laboratories. However, a summary of the significant accomplishments of the eight laboratories is provided below.

a. DOD Travel Reengineering

(Based upon 10 pilot sites)

1. A total of \$69 per transaction was saved. There were 50,000 transactions for a total savings of \$3,450,000.
2. A total of four days per transaction was saved. There were 50,000 transactions for a total savings of 200,000 days.

b. FORSCOM Training Support

1. A 22% reduction in required support personnel was achieved. However, these people were transferred to different jobs.
2. The cycle time for official uniform photographs was reduced from 2 weeks to 1 hour.

c. DPSC Prime Vendor

1. A total of \$1.4 million in personnel costs were saved by eliminating 54 positions.
2. A total of 144,000 square feet of warehouse space was no longer required at four sites.
3. A total of \$18 million in reduced inventory was saved, and the \$700,000 annual carrying cost was eliminated.

d. Air Force Action Workout

At McDill AFB Medical Facility savings were:

1. A total of 4.4 hours was saved per patient to perform scheduling and administrative functions.
2. The distance patients traveled to complete the exam was reduced by 900 feet.

The B-1B Maintenance Program savings were:

1. The amount of required maintenance man-hours was reduced by 50%, which saved 48 hours.
2. The distance traveled to complete the maintenance was reduced by 2.6 miles.

e. DDSP Closed Loop Wood Recycling

A total of \$8.4 million in annual savings was achieved.

1. A total of \$2.0 million in landfill costs was avoided.
2. A total of \$2.9 million in costs for new pallets was avoided.
3. A total of \$0.6 million in costs for dimension lumber was saved.
4. A total of \$2.9 million in packaging materials costs were saved.

f. Medical Supplies in Europe

1. The cycle time to receive supplies was reduced by 9 days per order.
2. The value of inventory was reduced by \$5 million.

g. Distribution of Food and Supplies in Korea

1. A total of \$4 million in savings from bringing milk from America was saved.
2. The supply stockout rate was reduced by 7%.
3. A total of 24 positions were eliminated. However, these people were reassigned to other jobs.

h. USMC Expense Recruit Direct Deposit

1. A total of \$1.7 million was avoided by no longer producing and mailing 500,000 paychecks.
2. Usage of the ATM card avoided the \$100,000 cost of issuing and using travelers checks.

i. NPS Corporate University

1. Streamlining support processes and organizations enabled an 8-9% reduction in personnel without a reduction in force.
2. The cycle time on travel document processing was reduced by eliminating 26 steps in the old process.

Several of the Reinvention Laboratories have identified processes improved and processes identified for improvement, but documented financial savings were not available in the data reviewed for the majority of the laboratories. A request for information on additional financial savings was made by DOD Comptroller personnel at the Reinvention Laboratories Symposium. The absence of measurable financial savings is a weakness in documenting the success of many Reinvention Laboratories.

3. Accomplishments to Date

The incorporation of entrepreneurial ideas and business practices by Reinvention Laboratories has achieved some financial savings. The presentations provided by the speakers at the Reinvention Laboratories Symposium indicated that reinventing government is based upon good management practices. The following positive practices were identified:

1. Acquiring the commitment of top leadership.
2. Defining a meaningful and clear vision and a plan of action to accomplish the reinvention goals of the organization.
3. Creating a sense of urgency to accomplish the goals of reinvention.
4. Communicating the vision, goals, and plan of action to everyone in the organization.

5. Identifying obstacles to reinvention and persistently finding a way to overcome them through entrepreneurial thinking, planning, and risk taking actions.
6. Measuring performance and adjusting the process to incorporate corrections.
7. Celebrating success and recognizing people for their efforts.
8. Institutionalizing the process of continuous improvement and permanent reinvention.

Laboratories that adopted these approaches were more successful in achieving reinvention goals. However, many Laboratories were unable to implement many or all of these ideas. Those Laboratories that achieved only marginal success have been unable to adopt enough of these practices to meet reinvention goals at this point in time.

4. Barriers to Reinvention

Representatives who made presentations at the DOD Reinvention Laboratories Symposium indicated numerous difficulties in attempting to reinvent their organizations. A summary of the major barriers to reinvention defined at the Reinvention Laboratories Symposium and gleaned from the published literature on reinvention are listed below:

1. Absence of a strong leadership commitment to reinvention by local, organizational, service, agency, and DOD top level management.
2. Absence of a single point of contact in DOD, the services, and agencies that promulgate guiding principles for reinvention.
3. Absence of clearly defined rules for the waiver request and approval process.

4. Insufficient knowledge and training on defining and applying entrepreneurial ideas including how to restructure, reengineer, reinvent, realign, and rethink organizations to achieve process improvements, and cost savings, and to instill permanent, continuous improvement philosophies. (Jones and Thompson, 1996, p. 1)
5. Absence of sufficient financial and human resources to implement reinvention.
6. Poor communication between and among DOD, military departments and Reinvention Laboratories, and poor communication between individual Reinvention Laboratories.
7. Absence of documentation and other information describing successful and unsuccessful reinvention initiatives, lessons learned, and points of contact for every Laboratory.
8. Bureaucratic resistance to cultural change.

These barriers have and continue to limit the ability of DOD Reinvention Laboratories to increase the efficiency and effectiveness of business practices and organizational processes. A post-conference electronic mail survey by the Office of the Under-secretary of Defense, Comptroller solicited feedback and areas that the Symposium attendees would like to have defined in future reinvention conferences. This provided an avenue for representatives to convey information on how to eliminate various barriers to reinvention.

The reelection of President Clinton indicates a continued emphasis on reinventing government to improve performance and reduce costs. Senior DOD leaders recognize the political and fiscal environment of the 1990's and will implement the directives of the Clinton Administration, statutes and other measures passed by Congress on reform to improve DOD business practices. The success of DOD Reinvention Laboratories in the future depends in part on the ability of

individual Laboratories to adopt the tested, successful practices of others, and to overcome the barriers to reinvention identified in this thesis.

D. AREAS FOR FURTHER RESEARCH

This thesis examined the accomplishments of Reinvention Laboratories and the barriers the Laboratories have faced in attempting to improve DOD business practices. Additional research is required to document the future progress of Reinvention Laboratories and to gather more data of the type presented in this thesis. Specific quantitative data is required to compare the published intentions of Laboratories to actual outcomes. Data is needed to analyze efficiency and effectiveness improvements in DOD business practices. Future research is needed to identify methodologies to be used for the measurement of Reinvention Laboratory performance. More careful accounting for cost savings is essential to demonstrate the long-term success of reinvention in the Department of Defense.

APPENDIX A. DEPARTMENT OF DEFENSE REINVENTION LABORATORIES

The DOD Reinvention Laboratories listed below are described in the 1996 *Defense Performance Review Reinvention Laboratories Summary*. Additional information concerning DOD Reinvention Laboratories is available on the Internet home page for the DOD National Performance Review Activities, <http://www.dtic.dla.mil/npr/>. Table I lists the Reinvention Laboratories by DOD organization as of January 31, 1997.

Table I. DOD Reinvention Laboratories

Reinvention Laboratory Designation	Organization
AIR FORCE	
Medical Technology	Headquarters Air Mobility Command Surgeon General
Travel Process	Bolling Air Force Base Travel Section
Air Force Combat Weather Center	Air Force Combat Weather Center
Air Logistics Center	Air Force Material Command
International Affairs	Secretary of the Air Force
Inspection Agency	Air Force Inspection Agency
45th Space Wing	45th Space Wing
ARMY	
Chemical and Biological Defense Command	U.S. Army Chemical and Biological Defense Command
Missile Command	U.S. Army Missile Command
Health Care Systems Support Activity	U.S. Army Health Care Systems Support Activity

Table I (Continued)

Reinvention Laboratory Designation	Organization
Europe Civilian Human Resource Management	U.S. Army Europe
Personnel Information Systems	U.S. Army Personnel Information Systems Command
Concepts Analysis Agency	U.S. Army Concept Analysis Agency
Forces Command	U.S. Army Forces Command
Army Management Engineering College	Army Management Engineering College
Letterkenny Army Depot	Letterkenny Army Depot
Training and Doctrine Command	U.S. Army Training and Doctrine Command
Material Command	U.S. Army Material Command
Total Army Transition Division	U.S. Total Army Transition Command
Center for Health Promotion and Preventative Medicine "Customer Driven Technical Excellence"	U.S. Army Center for Health Promotion and Preventative Medicine
Army Logistics	National Guard Bureau
Space and Strategic Defense Command	U.S. Army Space and Strategic Defense Command
Army XXI Acquisition Reform	Office of the Assistant Secretary of the Army for Research, Development and Acquisition
Tank Automotive Research and Development and Engineering Center	U.S. Army Tank Automotive and Armaments Command
Army Research Laboratory	Army Research Laboratory
Research Office	Army Research Office

Table I (Continued)

Reinvention Laboratory Designation	Organization
Armament Research, Development and Engineering Center	U.S. Army Armament Research, Development and Engineering Center
Army Soldier Systems	Army Soldier Systems Command
Corps of Engineers Waterways Experiment Station	U.S. Army Corps of Engineers
NAVY	
Naval Safety	Office of the Assistant Secretary of the Navy (I&E)
Naval Shore Activities	Naval Shore Activities, U.S. Atlantic Fleet
Naval Training Center and Activities	Naval Training Center
Naval Postgraduate School	Naval Postgraduate School
Defense Printing Office	Defense Printing Office
Naval Ordnance Center	Naval Ordnance Center
Public Works Center Pensacola	Navy Public Works Center, Business Support Department Pensacola
Naval Air Systems Command	Naval Air Systems Command
Human Resources Center	Naval Sea Systems Command
Personnel Support Activity, Europe	U.S. Navy Personnel Support Activity, Europe
Regional Naval Maintenance	Chief of Naval Operations
Public Works Center San Diego	Naval Public Works Center San Diego
Fleet and Industrial Supply Center	Fleet and Industrial Supply Center San Diego
Naval Base Jacksonville	Commander Naval Base Jacksonville

Table I (Continued)

Reinvention Laboratory Designation	Organization
MARINE CORPS	
Identify More Efficient and Effective Ways of Conducting Operations	3rd Marine Aircraft Wing, Marine Forces Pacific
Travel	Marine Reserve Forces
Combat Development Command	Marine Corps Air Ground Combat Center
Marine Corps Air Station Cherry Point Service	Marine Corps Air Station Cherry Point
Marine Corps Base Camp Lejeune, Improvement of Installation Management	Marine Corps Base Camp Lejeune
Marine Corps Base Camp Pendleton Total Activity	Marine Corps Base Camp Pendleton
Increasing Readiness, Improving Quality, and Reducing Costs at Marine Corps Logistic Bases	Marine Corps Logistic Base Albany
Marine Corps Air Station Beaufort South Carolina, Air Station Directives System	Marine Corps Air Station Beaufort
Morale, Welfare and Recreation Support Activity	Commandant of the Marine Corps
Recruit Depot	Marines Corps Recruit Depot/Western Recruiting Region
Marine Corps Air Station New River	Marine Corps Air Station New River
CENTRAL IMAGERY OFFICE	
Exploitation Process Reengineering	Central Imagery Office

Table I (Continued)

Reinvention Laboratory Designation	Organization
DEFENSE FINANCE AND ACCOUNTING	
Whiteworks	Active Duty Pay Division, Military Pay Finance Office, Deputy for Finance Operations DFAS Kansas City Center
Finance and Accounting XXI	DFAS Directorate of Plans & Management Business Process Reengineering
Human Resources Catch Up to the Future	DFAS Headquarters
Mechanization of Contract Administration Services (MOCAS)	New Dominion Contract Entitlement Division, North Entitlements Operations Contract Operations Entitlements Directorate
DEFENSE INVESTIGATIVE SERVICE	
Defense Investigative Service	Defense Investigative Service
DEFENSE LOGISTICS AGENCY	
Defense Reutilization and Marketing Service	Defense Logistics Agency
Process Oriented Contract Administration Services	Defense Logistics Agency, Defense Contract Management Command
Performance Labor Accounting System	Defense Logistics Agency
Premium Service	Defense Logistics Agency
Express Delivery	Defense Logistics Agency (Joint with Air Force and U.S. Transportation Command)

Table I (Continued)

Reinvention Laboratory Designation	Organization
Buy Response Vice Inventory	Defense Logistics Agency
Full Business Cycle Electronic Data Interchange	Defense Logistics Agency, Defense Supply Centers
Customer Value Contracting	Defense Logistics Agency
Closed-Loop Wood Recycling	Defense Logistics Agency, Defense Distribution Depot Susquehanna
Recycled Packaging	Defense Logistics Agency, Defense Distribution Depot Susquehanna
Reduced Oversight Costs	Defense Logistics Agency and Defense Contract Audit Agency
Distribution Region Operations	Defense Logistics Agency
Computer Assisted Technology Transfer	Defense Logistics Agency
Electronic Commerce with Customers and Industry	Defense Logistics Agency, Defense Fuels Supply Center
Joint Government/Industry Parametric Cost Estimating Pilot Program	Defense Logistics Agency, Defense Contract Management Command
Enhanced Vendor Delivery	Defense Supply Center Richmond
Electronic Commercial Catalogue	Defense Logistics Agency
Fee-for-Service in Action	Defense Logistics Agency Administrative Support Center
NATIONAL SECURITY AGENCY	
Support to the Combat Operator	National Security Agency
Travel Reinvention Laboratory	National Security Agency
Installation and Logistics Organization	National Security Agency
Software Process Improvement	National Security Agency

Table I (Continued)

Reinvention Laboratory Designation	Organization
Super Highway Access to Resources and Knowledge (SHARK) Lab	Center for Computer Assisted Technologies
Reinvention Laboratory for Reporting	National Security Agency
DEPARTMENT OF DEFENSE	
Transportation System	U.S. Transportation Command
Reinvent the Essential Mission of Supporting DOD Activities in the National Capital Region	Washington Headquarters Services Real Estate & Facilities Directorate
Science and Technology Laboratories	26 DOD sites: 5 USAF, 5 USA, 15 USN and 1 DOD

**APPENDIX B. DEPARTMENT OF DEFENSE REINVENTION
LABORATORIES SYMPOSIUM JANUARY
27-31, 1997**

The DOD Reinvention Laboratories Symposium was held in Washington D.C., from January 27-31, 1997. The Symposium was coordinated by the Office of Performance Improvement and Management Reengineering within the Office of the Under Secretary of Defense, Comptroller. A list of the agenda and speakers is provided below.

Monday, January 27, 1997

Welcome

Blair G. Ewing,
Director for Performance Improvement and Management Reengineering,
Office of the Under Secretary of Defense (Comptroller) (OUSD(C))

"The Next Four Years"

John Kamensky
Deputy Project Director, National Performance Review

"The Promises and Perils of the Reinvention Laboratories"

Jeffery Goldstein
Reinvention Lab Focal Point, National Performance Review

"Travel Reengineering-DOD wide Implementation"

Karen Alderman
Director for Travel Reengineering
Office of the Under Secretary of Defense (Comptroller)

"DOD Reinvention Lab Program"

Rachel Kopperman Foster, OUSD© and moderator
Diane Farhat, U.S. Army
Commander Pete Dunklin, U.S. Navy
Lieutenant Colonel Robert McDaniel, U.S. Air Force
Tommie Davis, U.S. Marine Corps
Joanne Barreca, Defense Logistic Agency

U.S. Marine Corps Meeting (Breakout session)

U.S. Army Forces Command (FORSCOM) Meeting (Breakout session)

Tuesday, January 28, 1997

Defense Logistic Agency Meeting (Breakout session)

U.S. Navy Meeting (Breakout session)

Administrative Remarks

Rachel Kopperman Foster
Office of Performance Improvement and Management Reengineering
Office of the Under Secretary of Defense (Comptroller)

Introductory Remarks

Ron Massengill
Office of Performance Improvement and Management Reengineering
Office of the Under Secretary of Defense (Comptroller)

"Logistics Management-DOD Vision"

Roy Willis
Principal Assistant Deputy Under Secretary of Defense (Logistics)

"Training Support Reinvention"

Joe Harris
U.S. Army Forces Command (FORSCOM)

"Prime Vendor"

Mae DeVincentis
Defense Personnel Support Center

"Air Force Action Workout"

Senior Master Sergeant U.S. Air Force Dave Griffin
Air Combat Command

"Closed Loop Wood Recycling"

Jerry Clemens
Defense Distribution Depot, Susquehanna, PA.

Facilitated Breakout Sessions

Session A: Multifunctional Teaming
Session B: Improving Customer Service by Streamlining Logistics
Processes
Session C: Reinventing Delivery/Transportation

Summary and Closeout of Logistics Reinvention

Wednesday, January 29, 1997

U.S. Army Meeting (Breakout session)

Introductory Remarks

Rachel Kopperman Foster
Office of Performance Improvement and Management Reengineering
Office of the Under Secretary of Defense (Comptroller)

"Contract/Acquisition-DOD Vision"

Eleanor Spector
Director of Defense Procurement
Office of the Under Secretary of Defense for Acquisition and Technology

"Opportunities for Reinvention Labs"

David Drabkin
Assistant Under Secretary of Defense for Acquisition Processes and
Policies

Linda Hauenstein
Director of Commercial Acquisition Policy Division
Federal Supply Service, General Services Administration

Nathan Tash
Office of Federal Procurement Policy, Office of Management and Budget

"Reinventing Contract/Acquisition Processes"

Mayer Max
National Security Agency, SHARK Laboratory

Syd Pope
Defense Logistic Agency
Process Oriented Contract Administration Services

"World Class Quality: The Defense Approach to Process Improvement"

Anne O'Connor
Director, Quality Management, Office of the Secretary of Defense

Facilitated Breakout Sessions

Session A: Buying Commodities
Session B: Contracting Processes
Session C: Contract Administration

Summary and Closeout/Acquisition Reinvention

Thursday, January 30, 1997

U.S. Army Forces Command (FORSCOM) Meeting (Breakout session)

Introductory Remarks

John Raines
Office of Performance Improvement and Management Reengineering
Office of the Under Secretary of Defense (Comptroller)

"Human Resources Management-DOD Vision"

Dr. Diane M. Disney
Deputy Assistant Secretary of Defense for Civilian Personnel Policy

"ODASD(CCP) Senior Staff Overview 'Reinvention Barriers and Flexibilities'"

Tom Garnett, Director, Workforce Relations
Melinda Darby, Director, Staffing and Career Development
Jack Schrader, Director, Compensation and Requirements

"Regionalization and Modernization"

Dr. Linda McCullar
Director, Regionalization and Systems Modernization Division
DOD Civilian Personnel Management Service

"Reinventing Human Resources Processes"

Debbie Ruiz, U.S. Marine Corps
Susan Harvey, U.S. Army
Ken Guarino, Defense Finance and Accounting Service

"The Corporate University"

Dr. Dave Whipple
Associate Provost for Innovation
Naval Postgraduate School, Monterey, CA.

Facilitated Breakout Sessions

Session A: Improving Customer Service
Session B: Professional Development
Session C: Science & Technology Personnel Demonstration Projects
Session D: Employee Initiatives

Summary and Closeout of Human Resources Reinvention

Friday, January 31, 1997

"Hammer Award Presentation"

The Defense Distribution Depot, Susquehanna, PA., has initiated a closed loop system where scrap fiberboard generated from the depot is recycled and processed into a 100% recycled content fiberboard box for use in the depot's shipping operation.

"Financial Management-DOD Vision"

Rich Keevey
Director, Defense Finance and Accounting Service

Nelson Toye
Director, Accounting Policy
Office of the Under Secretary of Defense (Comptroller)

"General Reinvention Speakers"

Mike Yoemans, "Using the Internet as a BPR Toolkit"
Director for Functional Process Improvement
Office of the Assistant Secretary of Defense
Command, Control, Communications, and Intelligence

Elbert E. Witt, "Decision Model for Reinvention"
45th Space Wing, U.S. Air Force

Phil Landesberg, "How to Assess Your Lab's Performance"
Total Quality Leadership Coordinator, Naval Ordnance Center, U.S. Navy

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